

# An Act

HOUSE BILL 23-1272

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also SENATOR(S) Fenberg and Cutter, Bridges, Fields, Gonzales, Hansen, Jaquez Lewis, Marchman, Moreno, Priola, Sullivan, Winter F.

CONCERNING TAX POLICY THAT ADVANCES DECARBONIZATION, AND, IN CONNECTION THEREWITH, EXTENDING TAX CREDITS FOR THE PURCHASE OR LEASE OF ELECTRIC VEHICLES; CREATING TAX CREDITS FOR INDUSTRIAL FACILITIES TO IMPLEMENT GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS, FOR EXPENDITURES MADE IN CONNECTION WITH GEOTHERMAL ENERGY PROJECTS, FOR PRODUCTION OF GEOTHERMAL ELECTRICITY GENERATION, FOR THE DEPLOYMENT OF HEAT PUMP TECHNOLOGY, FOR RETAIL SALES OF ELECTRIC BICYCLES, AND FOR CONSTRUCTION OF SUSTAINABLE AVIATION FUEL PRODUCTION FACILITIES; CREATING A TEMPORARY SPECIFIC OWNERSHIP TAX RATE REDUCTION ON A PORTION OF THE SALE OF ELECTRIC MEDIUM- AND HEAVY-DUTY TRUCKS; TEMPORARILY DECREASING THE SEVERANCE TAX CREDIT FOR OIL AND GAS PRODUCTION, REQUIRING THE REVENUE THAT IS ATTRIBUTABLE

*Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.*

TO THE DECREASE BE DEPOSITED IN THE DECARBONIZATION TAX CREDITS ADMINISTRATION CASH FUND, AND CREATING THE CASH FUND; AND MAKING AN APPROPRIATION.

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

**SECTION 1. Legislative declaration.** (1) The general assembly finds and declares that:

(a) Energy is at the heart of the state's climate challenges, and clean energy is key to the solution;

(b) A large portion of the greenhouse gases that blanket the earth and trap the sun's heat are generated through the combustion of fossil fuels;

(c) Reducing greenhouse gas emissions is crucial to avoiding the most serious effects of climate change and preserving Colorado's way of life, the health of communities, and the natural environment in the state and to achieving the state's statutory greenhouse gas reduction targets;

(d) Emissions from Colorado's buildings, transportation, and industrial sectors make up the majority of the statewide air and greenhouse gas emissions pollution;

(e) Decreasing emissions from these sectors will require public investments to improve energy efficiency and encourage the adoption of clean energy technologies;

(f) Many clean energy technologies have lower life cycle costs, but individuals and businesses struggle to pay the higher up-front costs;

(g) The "Inflation Reduction Act" passed by the United States Congress in 2022 made important tax incentives available to the people of Colorado, and the general assembly seeks to build on that momentum;

(h) Tax credits are designed to incentivize certain behaviors and ultimately reduce a taxpayer's tax liability, and the general assembly seeks to use tax credits and other tax incentives as a tool to accelerate the adoption of clean energy technologies by promoting their development as

well as sales and purchase of certain technologies;

(i) The incentives are intended to improve the affordability and accessibility of clean energy for consumers and businesses across the state;

(j) The incentives are also intended to provide a signal to clean energy technology manufacturers to ensure that Colorado consumers have access to these technologies in the marketplace;

(k) The technologies targeted by the tax incentives presented in this legislation are crucial to the clean energy transition and electric generation and to reducing greenhouse gas emissions caused by passenger vehicles, trucks, fossil fuel heating systems, and industrial operations;

(l) Passenger vehicles, trucks, and bicycles powered by clean electricity produce less greenhouse gas emissions than those powered by fossil fuels;

(m) The federal "Inflation Reduction Act" created consumer zero emission vehicle tax credits that incentivize vehicles meeting the escalating North American assembly and materials sourcing requirements. The federal credits serve two primary purposes, both to reduce the price of zero emission vehicles for consumers and to encourage investment in domestic vehicle manufacturing.

(n) During an interim period while domestic manufacturing and materials production for electric vehicles expand to meet the heightening federal tax credit requirements, certain zero emission vehicles may be ineligible for the full federal incentive;

(o) By filling a possible gap in electric vehicle eligibility for the federal "Inflation Reduction Act" electric vehicle tax credits, the tax credit incentives in this bill aim to assist Colorado consumers in purchasing electric vehicles during the gap period, thereby aiding in the immediate reduction of Colorado greenhouse gas emissions;

(p) Geothermal electricity generation is renewable, clean, available statewide, and reliable regardless of weather conditions;

(q) Electric heat pumps and heat pump water heaters are reliable in

both hot and cold weather, and their high energy efficiency will keep energy bills low and consistent for homeowners and renters;

(r) In order to qualify for these tax incentives, emissions reduction technologies in industrial and manufacturing facilities will be certified to reduce greenhouse gas emissions through the Colorado energy office;

(s) Industrial and manufacturing facilities are often located in disproportionately impacted communities, and emissions reduction investments in these facilities should be designed to reduce local air pollution in addition to greenhouse gas pollution;

(t) Allowing tax credits for electric vehicles, trucks, and bicycles to be claimed at the point of sale will ensure equity by improving access to these technologies for Coloradans who cannot pay the full price without the credit or the discount provided for a retailer claiming the credit;

(u) Improving access to clean energy and energy efficiency technologies is a crucial component in ensuring that the transition to a clean energy economy is equitable for Coloradans of all socio-economic backgrounds; and

(v) The tax incentives will accelerate the adoption of clean energy throughout the state, set Colorado on a path to 100% renewable energy by 2040, and continue to position Colorado as a leader in the clean energy economy.

(2) Therefore, the general assembly finds and declares that it is necessary to retool or create tax incentives designed to promote the sale and purchase or lease of electric vehicles and trucks, electric bicycles, and energy-efficient heat pumps and promote geothermal energy production and the adoption of emissions reductions technology in industrial facilities in order to drastically cut carbon emissions and help mitigate climate change.

(3) The general assembly further finds and declares that it is necessary to reexamine the state's current tax expenditures, including credits related to severance taxes for oil and gas production, in consideration of the general assembly's desire to transition from oil and gas to clean energy within the state.

**SECTION 2.** In Colorado Revised Statutes, 39-22-516.7, **amend** (1)(k.5), (1)(r)(II) introductory portion, (1)(r.3), (2)(a), (2)(e)(I) introductory portion, (3), (4)(a)(V), (9), and (10); and **add** (1)(g.5), (1)(p.5), (1)(r.1), (1.5), (2)(e)(VIII), (2)(f), (4)(a)(VI), (4)(a)(VII), (4)(a)(VIII), (4)(a)(IX), (4)(a)(X), (4)(a)(XI), (4)(a.3), (4)(a.5), (4)(a.7), (11), and (12) as follows:

**39-22-516.7. Tax credit for innovative motor vehicles - tax preference performance statement - definitions - repeal.** (1) As used in this section, unless the context otherwise requires:

(g.5) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(k.5) "Financing entity" means the entity that finances the purchase or lease of a category 1 ~~or category 1A~~ vehicle eligible for a credit allowed by this section.

(p.5) "MANUFACTURER'S SUGGESTED RETAIL PRICE" HAS THE SAME MEANING AS SET FORTH IN SECTION 42-1-102 (50).

(r) (II) "Motor vehicle" means, for tax years commencing on or after January 1, 2017, ~~but prior to January 1, 2022~~, a self-propelled vehicle with four wheels, including a truck and a hybrid motor vehicle, that is:

(r.1) "MOTOR VEHICLE DEALER" HAS THE SAME MEANING AS SET FORTH IN SECTION 44-20-102 (18).

(r.3) (I) "Purchaser" means the buyer or the lessee of a category 1 ~~or category 1A~~ vehicle, but, FOR INCOME TAX YEARS COMMENCING BEFORE JANUARY 1, 2024, does not include the state or any political subdivision of the state. For tax years commencing on or after January 1, 2017, a lessee seeking to claim a credit allowed in this section must enter into a lease with a term of not less than two years.

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, "PURCHASER" INCLUDES A PERSON OR A POLITICAL SUBDIVISION OF THE STATE THAT IS EXEMPT FROM TAXATION UNDER SECTION 39-22-112 (1).

(1.5) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT EXTENDS AN EXPIRING TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A

STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED FOR IN THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS, SPECIFICALLY THE SALE AND PURCHASE OR LEASE OF ELECTRIC MOTOR VEHICLES, BY PROVIDING A REDUCTION IN INCOME TAX LIABILITY TO THE PURCHASER OR LESSEE OR TO A MOTOR VEHICLE DEALER OR FINANCING ENTITY IN CONNECTION WITH THE SALE AND PURCHASE OR LEASE OF AN ELECTRIC MOTOR VEHICLE.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSES SPECIFIED IN SUBSECTION (1.5)(a) OF THIS SECTION BASED ON THE NUMBER AND VALUE OF CREDITS CLAIMED.

(2) (a) With respect to the tax years commencing on or after January 1, 2013, but prior to ~~January 1, 2026~~, JANUARY 1, 2029, there is allowed to any person a credit against the tax imposed by this article 22, not to exceed the amount specified in subsection (4) of this section, for the purchase or lease of a motor vehicle defined as category 1.

(e) (I) A purchaser may assign the tax credit allowed in this section for the purchase or lease of a category 1 or category 1 A vehicle completed on or after January 1, 2017, BUT PRIOR TO JANUARY 1, 2024, to a financing entity as follows:

(VIII) THIS SUBSECTION (2)(e) IS REPEALED, EFFECTIVE DECEMBER 31, 2028.

(f) (I) A PURCHASER MAY ASSIGN THE TAX CREDIT ALLOWED IN THIS SECTION FOR THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE COMPLETED ON OR AFTER JANUARY 1, 2024, TO A FINANCING ENTITY OR TO A MOTOR VEHICLE DEALER AS FOLLOWS:

(A) THE ASSIGNMENT TO THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER MUST BE COMPLETED AT THE TIME OF PURCHASE OR LEASE BY ENTERING INTO AN ELECTION STATEMENT AS SET FORTH IN SUBSECTION (2)(f)(III) OF THIS SECTION;

(B) THE PURCHASER MUST TITLE AND REGISTER THE VEHICLE IN THE STATE AS REQUIRED BY STATE LAW;

(C) THE PURCHASER MUST ASSIGN THE TAX CREDIT TO THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE PURCHASER'S TAX RETURN IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION DESCRIBED IN SUBSECTION (2)(f)(I)(D) OF THIS SECTION; AND

(D) THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL COMPENSATE THE PURCHASER FOR THE FULL NOMINAL VALUE OF THE TAX CREDIT INCLUDING, IF APPLICABLE, THE AMOUNTS ALLOWED PURSUANT TO SUBSECTIONS (4)(a)(XI) AND (4)(a.5) OF THIS SECTION; EXCEPT THAT THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER MAY COLLECT AN ADMINISTRATIVE FEE NOT TO EXCEED TWO HUNDRED FIFTY DOLLARS FOR PROCESSING THE ASSIGNMENT. THE COMPENSATION PAID TO THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT INCOME.

(II) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER ASSIGNS THE TAX CREDIT TO A FINANCING ENTITY OR TO A MOTOR VEHICLE DEALER PURSUANT TO THIS SUBSECTION (2)(f), THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

(III) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER AND THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL ENTER INTO AN ELECTION STATEMENT THAT:

(A) IDENTIFIES THE VEHICLE IDENTIFICATION NUMBER OF THE CATEGORY 1 VEHICLE FOR WHICH A CREDIT IS ALLOWED IN THIS SECTION;

(B) IDENTIFIES THE MANUFACTURER'S SUGGESTED RETAIL PRICE OF THE CATEGORY 1 VEHICLE FOR WHICH A CREDIT IS ALLOWED IN THIS SECTION;

(C) SPECIFIES THE VALUE OF THE CREDIT ALLOWED; AND

(D) AFFIRMS THAT THE REQUIREMENTS SPECIFIED IN SUBSECTION (2)(f)(I) OF THIS SECTION WERE MET.

(IV) THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER MAY

AUTHORIZE AN AGENT OR A DESIGNEE TO SIGN THE ELECTION STATEMENT ON ITS BEHALF.

(V) FOR THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE COMPLETED ON OR AFTER JANUARY 1, 2024, THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL ELECTRONICALLY SUBMIT A REPORT CONTAINING THE INFORMATION CONTAINED IN THE ELECTION STATEMENT DESCRIBED IN SUBSECTION (2)(f)(III) OF THIS SECTION TO THE DEPARTMENT ON A QUARTERLY BASIS IN A FORM AND MANNER REQUIRED BY THE DEPARTMENT FOR ALL PURCHASES OR LEASES OF A CATEGORY 1 VEHICLE COMPLETED IN THE REPORTING PERIOD.

(VI) THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL MAINTAIN THE ELECTION STATEMENT DESCRIBED IN SUBSECTION (2)(f)(III) OF THIS SECTION AND PRODUCE IT UPON REQUEST BY THE DEPARTMENT FOR AN AUDIT.

(VII) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, THE FINANCING ENTITY OR MOTOR VEHICLE DEALER MAY ELECT ADVANCE PAYMENTS OF CREDITS ASSIGNED UNDER THIS SUBSECTION (2)(f) AS SPECIFIED IN SECTION 39-22-629.

(3) If a motor vehicle is leased, the lessee, not the lessor, is allowed to claim the credit allowed pursuant to this section. The lessee may elect to assign the tax credit allowed pursuant to this section for the lease of a category 1 ~~or category 1-A~~ vehicle to a financing entity OR TO A MOTOR VEHICLE DEALER as specified in ~~paragraph (c) of subsection (2)~~ SUBSECTIONS (2)(e) OR (2)(f), AS APPLICABLE, of this section.

(4) The amount of the credit allowed pursuant to this section is calculated as follows:

(a) **Category 1.** (V) With respect to ~~the tax years commencing~~ THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED on or after January 1, 2023, but prior to ~~January 1, 2026~~, JULY 1, 2023, two thousand dollars for a purchase or one thousand five hundred dollars for a lease;

(VI) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4)(a)(XI) OF THIS SECTION, WITH RESPECT TO THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED ON OR AFTER JULY 1, 2023, BUT BEFORE



JANUARY 1, 2025, FIVE THOUSAND DOLLARS FOR A PURCHASE OR A LEASE;

(VII) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4)(a)(XI) OF THIS SECTION, WITH RESPECT TO THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED IN TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, BUT BEFORE JANUARY 1, 2026, THREE THOUSAND FIVE HUNDRED DOLLARS;

(VIII) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4)(a.7) OF THIS SECTION, WITH RESPECT TO THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED IN TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2027, ONE THOUSAND FIVE HUNDRED DOLLARS;

(IX) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4)(a.7) OF THIS SECTION, WITH RESPECT TO THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED IN TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2028, ONE THOUSAND DOLLARS;

(X) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4)(a.7) OF THIS SECTION, WITH RESPECT TO THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED IN TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2028, BUT BEFORE JANUARY 1, 2029, FIVE HUNDRED DOLLARS;  
AND

(XI) WITH RESPECT TO A PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED AT A LOCATION WHERE THE CREDIT ALLOWED IN THIS SECTION MAY BE ASSIGNED AND IF THE CREDIT IS ASSIGNED PURSUANT TO SUBSECTION (2)(f) OF THIS SECTION IN A TAX YEAR THAT COMMENCES ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2026, AN ADDITIONAL AMOUNT OF SIX HUNDRED DOLLARS MAY BE CLAIMED BY A FINANCING ENTITY OR MOTOR VEHICLE DEALER WHEN THE PURCHASER ASSIGNS THE CREDIT TO THE FINANCING ENTITY OR MOTOR VEHICLE DEALER.

**(a.3) Limitation on credit.** NO CREDIT IS ALLOWED FOR A PURCHASE OR LEASE MADE ON OR AFTER JULY 1, 2023, BUT BEFORE JANUARY 1, 2029, OF A CATEGORY 1 VEHICLE THAT EXCEEDS A MANUFACTURER'S SUGGESTED RETAIL PRICE OF EIGHTY-THOUSAND DOLLARS.

**(a.5) Category 1 for vehicles under \$35,000 threshold.** WITH

RESPECT TO THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED IN TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT PRIOR TO JANUARY 1, 2029, WITH A MANUFACTURER'S SUGGESTED RETAIL PRICE BELOW THIRTY-FIVE THOUSAND DOLLARS THERE IS ALLOWED AN ADDITIONAL TWO THOUSAND FIVE HUNDRED DOLLARS OF CREDIT IN ADDITION TO THE AMOUNT OF CREDIT ALLOWED PURSUANT TO SUBSECTION (4)(a) OF THIS SECTION.

(a.7) IF THE JUNE 2025 REVENUE FORECAST, AND EACH JUNE REVENUE FORECAST THROUGH THE JUNE 2027 REVENUE FORECAST AS PREPARED BY EITHER LEGISLATIVE COUNCIL STAFF OR THE OFFICE OF STATE PLANNING AND BUDGETING, PROJECTS THAT STATE REVENUES, AS DEFINED IN SECTION 24-77-103.6 (6)(c), WILL NOT INCREASE BY AT LEAST FOUR PERCENT FOR THE NEXT FISCAL YEAR, THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SUBSECTION (4)(a)(VIII), (4)(a)(IX), OR (4)(a)(X) OF THIS SECTION FOR ANY TAX YEAR COMMENCING IN THE CALENDAR YEAR THAT BEGINS DURING SAID NEXT FISCAL YEAR IS REDUCED BY FIFTY PERCENT; EXCEPT THAT IF THE AMOUNT OF REDUCED CREDIT IS EQUAL TO OR LESS THAN FIVE HUNDRED DOLLARS, THEN NO CREDIT IS AVAILABLE FOR SUCH A TAX YEAR.

(9) Making the purchaser aware of the income tax credit allowed in this section or helping the purchaser assign the income tax credit to a financing entity OR TO A MOTOR VEHICLE DEALER as allowed in this section does not rise to the level of providing the purchaser with unauthorized tax advice.

(10) ~~This section is repealed, effective December 31, 2030.~~ A PURCHASER, AS SET FORTH IN SUBSECTION (1)(r.3)(II) OF THIS SECTION, WHO CLAIMS THE CREDIT UNDER THIS SECTION SHALL FILE A RETURN PURSUANT TO SECTION 39-22-601 (7)(b).

(11) A PURCHASER WHO CLAIMS A TAX CREDIT UNDER THIS SECTION OR WHO ASSIGNS A TAX CREDIT PURSUANT TO SUBSECTION (2)(f) OF THIS SECTION IS ENTITLED TO ADDITIONALLY RECEIVE ANY REBATE THAT IS PART OF AN ELECTRIC VEHICLE PROGRAM PURSUANT TO SECTIONS 40-3-116 AND 40-5-107.

(12) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2033.

**SECTION 3.** In Colorado Revised Statutes, 39-22-516.8, amend (1)(bb.3), (8.3), (8.5), (13.5)(a) introductory portion, and (18); and add (1)(bb.1), (1)(q.5), (1.5), (8.7), (13.5)(h), (13.7), and (17.5) as follows:

**39-22-516.8. Tax credit for innovative trucks - tax preference performance statement - definitions - repeal.** (1) As used in this section, unless the context otherwise requires:

(q.5) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(bb.1) "MOTOR VEHICLE DEALER" HAS THE SAME MEANING AS SET FORTH IN SECTION 44-20-102 (18).

(bb.3) (I) "Purchaser" means the buyer or the lessee of a category 4, category 4 A, category 4 B, category 4 C, category 7, category 7 A, or category 9 vehicle, but, FOR INCOME TAX YEARS COMMENCING BEFORE JANUARY 1, 2024, does not include the state or any political subdivision of the state. For tax years commencing on or after January 1, 2017, a lessee seeking to claim a credit allowed in this section must enter into a lease with a term of not less than two years.

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, "PURCHASER" INCLUDES A PERSON OR POLITICAL SUBDIVISION OF THE STATE WHO IS EXEMPT FROM TAXATION UNDER SECTION 39-22-112 (1).

(1.5) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT EXTENDS AN EXPIRING TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED IN THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS, SPECIFICALLY THE SALE AND PURCHASE OR LEASE OF ELECTRIC LIGHT-DUTY, MEDIUM-DUTY, OR HEAVY-DUTY TRUCKS, BY PROVIDING A REDUCTION IN INCOME TAX LIABILITY TO THE PURCHASER OR LESSEE OR TO A FINANCING ENTITY IN CONNECTION WITH THE SALE AND PURCHASE OR LEASE OF AN ELECTRIC LIGHT-DUTY, MEDIUM-DUTY, OR HEAVY-DUTY TRUCK.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1.5)(a) OF THIS SECTION BASED ON THE NUMBER

AND VALUE OF CREDITS CLAIMED.

(8.3) **Category 7 purchase.** (a) Except as provided in subsection (14) of this section, with respect to the income tax years commencing on or after January 1, 2017, but before ~~January 1, 2026~~, JANUARY 1, 2024, there is allowed to any person a credit against the tax imposed by this article 22 in an amount set forth in subsection (8.3)(b) of this section for each purchase of a category 7 truck during the tax year.

(b)

	Income tax year commencing:			
	1/1/2017 but before 1/1/2020	1/1/2020 but before 1/1/2021	1/1/2021 but before 1/1/2023	1/1/2023 but before <del>1/1/2026</del> 1/1/2024
Light-duty passenger motor vehicle over 8,500 GVWR	\$5,000	\$4,000	\$2,500	\$2,000
Light-duty electric truck	\$7,000	\$5,500	\$3,500	\$2,800
Medium-duty electric truck	\$10,000	\$8,000	\$5,000	\$4,000
Heavy-duty truck	\$20,000	\$16,000	\$10,000	\$8,000

(8.5) **Category 7 lease.** (a) Except as provided in subsection (14) of this section, with respect to the income tax years commencing on or after January 1, 2017, but before ~~January 1, 2026~~, JANUARY 1, 2024 there is allowed to any person a credit against the tax imposed by this article 22 in an amount set forth in subsection (8.5)(b) of this section for each lease of a category 7 truck during the tax year.

(8.5) (b)

Income tax year commencing:
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	1/1/2017 but before 1/1/2020	1/1/2020 but before 1/1/2021	1/1/2021 but before <del>1/1/2026</del> <b>1/1/2024</b>
Light-duty passenger motor vehicle over 8,500 GVWR	\$2,500	\$2,000	\$1,500
Light-duty electric truck	\$3,500	\$2,750	\$1,750
Medium-duty electric truck	\$5,000	\$4,000	\$2,500
Heavy-duty truck	\$10,000	\$8,000	\$5,000

**(8.7) (a) Category 7 light-duty passenger motor vehicle over 8,500 GVWR or light-duty electric truck lease or purchase for tax years 2024 through 2028.** EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (8.7)(d) OF THIS SECTION, WITH RESPECT TO INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2029, FOR EACH PURCHASE OR LEASE OF A CATEGORY 7 LIGHT-DUTY PASSENGER MOTOR VEHICLE OVER 8,500 GVWR OR A LIGHT-DUTY ELECTRIC TRUCK SOLD OR LEASED DURING THE TAX YEAR, THERE IS ALLOWED TO ANY PERSON A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT AS FOLLOWS:

(I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2025, FIVE THOUSAND DOLLARS;

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, BUT BEFORE JANUARY 1, 2026, THREE THOUSAND FIVE HUNDRED DOLLARS;

(III) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2027, ONE THOUSAND FIVE HUNDRED DOLLARS;

(IV) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2028, ONE THOUSAND DOLLARS; AND

(V) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2028, BUT BEFORE JANUARY 1, 2029, FIVE HUNDRED DOLLARS.

**(b) Category 7 medium-duty electric truck lease or purchase for tax years 2024 through 2032.** WITH RESPECT TO INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, FOR EACH PURCHASE OR LEASE OF A CATEGORY 7 MEDIUM-DUTY ELECTRIC TRUCK SOLD OR LEASED DURING THE TAX YEAR, THERE IS ALLOWED TO ANY PERSON A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT AS FOLLOWS:

(I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2026, TWELVE THOUSAND DOLLARS; AND

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2033, FOUR THOUSAND DOLLARS.

**(c) Category 7 heavy-duty truck lease or purchase for tax years 2024 through 2032.** WITH RESPECT TO INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, FOR EACH PURCHASE OR LEASE OF A CATEGORY 7 HEAVY-DUTY TRUCK SOLD OR LEASED DURING THE TAX YEAR, THERE IS ALLOWED TO ANY PERSON A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT AS FOLLOWS:

(I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2026, TWELVE THOUSAND DOLLARS; AND

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2033, EIGHT THOUSAND DOLLARS.

(d) IF THE JUNE 2025 REVENUE FORECAST, AND EACH JUNE REVENUE FORECAST THROUGH THE JUNE 2027 REVENUE FORECAST AS PREPARED BY

EITHER LEGISLATIVE COUNCIL STAFF OR THE OFFICE OF STATE PLANNING AND BUDGETING, PROJECTS THAT STATE REVENUES, AS DEFINED IN SECTION 24-77-103.6 (6)(c), WILL NOT INCREASE BY AT LEAST FOUR PERCENT FOR THE NEXT FISCAL YEAR, THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SUBSECTION (8.7)(a)(III), (8.7)(a)(IV), OR (8.7)(a)(V) OF THIS SECTION FOR ANY TAX YEAR COMMENCING IN THE CALENDAR YEAR THAT BEGINS DURING SAID NEXT FISCAL YEAR IS REDUCED BY FIFTY PERCENT; EXCEPT THAT IF THE AMOUNT OF REDUCED CREDIT IS EQUAL TO OR LESS THAN FIVE HUNDRED DOLLARS, THEN NO CREDIT IS AVAILABLE FOR SUCH A TAX YEAR.

(13.5) (a) A purchaser may assign the tax credit allowed in this section for the purchase or lease of a category 4, category 4 A, category 4 B, category 4 C, category 7, category 7 A, or category 9 vehicle completed on or after January 1, 2017, BUT BEFORE JANUARY 1, 2024, to a financing entity as follows:

(h) THIS SUBSECTION (13.5) IS REPEALED, EFFECTIVE DECEMBER 31, 2028.

(13.7) (a) A PURCHASER MAY ASSIGN THE TAX CREDIT ALLOWED IN THIS SECTION FOR THE PURCHASE OR LEASE OF A CATEGORY 7 VEHICLE SOLD OR LEASED ON OR AFTER JANUARY 1, 2024, TO A FINANCING ENTITY OR TO A MOTOR VEHICLE DEALER AS FOLLOWS:

(I) THE ASSIGNMENT TO THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER MUST BE COMPLETED AT THE TIME OF PURCHASE OR LEASE BY ENTERING INTO AN ELECTION STATEMENT AS SET FORTH IN SUBSECTION (13.7)(c) OF THIS SECTION;

(II) THE PURCHASER MUST TITLE AND REGISTER THE VEHICLE IN THE STATE OR REGISTER THE VEHICLE UNDER THE INTERNATIONAL REGISTRATION PLAN AND BASE PLATE THE VEHICLE IN THE STATE AS REQUIRED BY STATE LAW;

(III) THE PURCHASER MUST ASSIGN THE TAX CREDIT TO THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE PURCHASER'S TAX RETURN IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION; AND

(IV) THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL

COMPENSATE THE PURCHASER FOR THE FULL NOMINAL VALUE OF THE TAX CREDIT; EXCEPT THAT THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER MAY COLLECT AN ADMINISTRATIVE FEE NOT TO EXCEED TWO HUNDRED FIFTY DOLLARS FOR PROCESSING THE ASSIGNMENT. THE COMPENSATION PAID TO THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT INCOME.

(b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER ASSIGNS THE TAX CREDIT TO A FINANCING ENTITY OR TO A MOTOR VEHICLE DEALER PURSUANT TO THIS SUBSECTION (13.7), THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

(c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER AND THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL ENTER INTO AN ELECTION STATEMENT THAT:

(I) IDENTIFIES THE VEHICLE IDENTIFICATION NUMBER OF THE CATEGORY 7 VEHICLE FOR WHICH A CREDIT IS ALLOWED IN THIS SECTION;

(II) SPECIFIES THE VALUE OF THE CREDIT ALLOWED; AND

(III) AFFIRMS THAT THE REQUIREMENTS SPECIFIED IN SUBSECTION (13.7)(a) OF THIS SECTION WERE MET.

(d) THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER MAY AUTHORIZE AN AGENT OR A DESIGNEE TO SIGN THE ELECTION STATEMENT ON ITS BEHALF.

(e) FOR THE PURCHASE OR LEASE OF A CATEGORY 7 VEHICLE COMPLETED ON OR AFTER JANUARY 1, 2024, THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL ELECTRONICALLY SUBMIT A REPORT CONTAINING THE INFORMATION CONTAINED IN THE ELECTION STATEMENT DESCRIBED IN SUBSECTION (13.7)(c) OF THIS SECTION TO THE DEPARTMENT ON A QUARTERLY BASIS IN A FORM AND MANNER REQUIRED BY THE DEPARTMENT.

(f) THE FINANCING ENTITY OR THE MOTOR VEHICLE DEALER SHALL



MAINTAIN THE ELECTION STATEMENT DESCRIBED IN SUBSECTION (13.7)(c) OF THIS SECTION AND PRODUCE IT UPON REQUEST OR AUDIT BY THE DEPARTMENT.

(g) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, THE FINANCING ENTITY OR MOTOR VEHICLE DEALER MAY ELECT ADVANCE PAYMENTS OF CREDITS ASSIGNED UNDER THIS SUBSECTION (13.7) AS SPECIFIED IN SECTION 39-22-629.

(17.5) A PURCHASER, AS SET FORTH IN SUBSECTION (1)(bb.3)(II) OF THIS SECTION, WHO CLAIMS THE CREDIT ALLOWED BY THIS SECTION SHALL FILE A RETURN PURSUANT TO SECTION 39-22-601 (7)(b).

(18) This section is repealed, effective ~~December 31, 2030~~ DECEMBER 31, 2037.

**SECTION 4.** In Colorado Revised Statutes, 39-22-545, amend (3)(a) as follows:

**39-22-545. Credit against tax - heat pump systems - heat pump water heaters - tax preference performance statement - legislative declaration - definitions - repeal.** (3) (a) Subject to the provisions of subsection (4) of this section, for income tax years commencing on or after January 1, 2023, but before ~~January 1, 2025~~, JANUARY 1, 2024, any purchaser that installs a residential or commercial heat pump system into real property in this state or that installs a residential or commercial heat pump water heater into real property in this state is allowed a credit against the tax imposed by this article 22 in an amount equal to ten percent of the purchase price paid by the purchaser for the heat pump system or heat pump water heater.

**SECTION 5.** In Colorado Revised Statutes, add 39-22-551 as follows:

**39-22-551. Industrial clean energy tax credit - tax preference performance statement - definitions - report - repeal.** (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE

PURPOSE OF THE TAX CREDIT PROVIDED FOR IN THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS AND TO PROVIDE A REDUCTION IN INCOME TAX LIABILITY FOR CERTAIN BUSINESSES OR INDIVIDUALS BY ALLOWING AN OWNER OF AN INDUSTRIAL FACILITY TO RECEIVE A CREDIT AGAINST INCOME TAX FOR THE COSTS ASSOCIATED WITH CONDUCTING INDUSTRIAL STUDIES OR FOR IMPLEMENTING A PLAN TO PUT INTO SERVICE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE INFORMATION REQUIRED AND REPORTED BY THE OFFICE PURSUANT TO SUBSECTION (10)(b) OF THIS SECTION, AND BASED ON THE NUMBER AND VALUE OF THE CREDITS CLAIMED.

(2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "APPLICABLE PERCENTAGE" MEANS THIRTY PERCENT, EXCEPT AS PROVIDED IN SUBSECTION (3)(b)(II) OF THIS SECTION.

(b) "CERTIFIED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS" MEANS GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS TO A QUALIFIED INDUSTRIAL FACILITY THAT HAVE BEEN CERTIFIED BY THE OFFICE AS MEETING THE STANDARDS OF THE OFFICE.

(c) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101.

(d) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(e) "GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS" MEANS IMPROVEMENTS THAT HELP TO MEASURABLY REDUCE GREENHOUSE GAS EMISSIONS. "GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS" ALSO MEANS ONE OR MORE OF THE FOLLOWING EQUIPMENT PURCHASES, IMPROVEMENTS, AND RETROFITS:

(I) REPLACING FOSSIL-FUEL-POWERED OFF-ROAD EQUIPMENT SUCH AS FORKLIFTS AND CONSTRUCTION EQUIPMENT WITH ELECTRIC EQUIPMENT;

(II) REPLACING FOSSIL-FUEL-FIRED EQUIPMENT FOR SPACE OR WATER HEATING OR INDUSTRIAL PROCESS HEATING WITH HIGH-EFFICIENCY ELECTRIC EQUIPMENT;

(III) REPLACING FOSSIL-FUEL-FIRED OR COMPRESSED AIR-DRIVEN INDUSTRIAL PROCESS EQUIPMENT WITH HIGH-EFFICIENCY ELECTRIC EQUIPMENT;

(IV) PLACING IN SERVICE ADVANCED REFRIGERATION SYSTEMS THAT REDUCE GREENHOUSE GAS EMISSIONS;

(V) PLACING IN SERVICE ELECTRIC CHARGING INFRASTRUCTURE FOR ELECTRIC VEHICLES AT AN INDUSTRIAL FACILITY;

(VI) PLACING IN SERVICE WASTE HEAT RECOVERY TECHNOLOGY;

(VII) UPGRADING OR IMPLEMENTING ENERGY MONITORING SYSTEMS;

(VIII) INSTALLING HIGH EFFICIENCY ELECTRIC PUMPS, MOTORS, COMPRESSORS, AND LIGHTING;

(IX) INSTALLING VARIABLE VOLUME OR LOAD EFFICIENCY EQUIPMENT;

(X) INSTALLING CARBON CAPTURE EQUIPMENT WHICH PROVIDES SUPPORTING INFORMATION THAT DEMONSTRATES A NET REDUCTION IN GREENHOUSE GAS EMISSIONS WHEN ACCOUNTING FOR ENERGY-RELATED EMISSIONS RELEASED TO OPERATE THE CARBON CAPTURE EQUIPMENT AND PROVIDES A PERMANENT DURABLE CARBON STORAGE PLAN; EXCEPT THAT THE CAPTURED CARBON MAY NOT BE USED FOR ENHANCED OIL RECOVERY;

(XI) INSTALLING EQUIPMENT USED FOR COLLECTION OF BIOMETHANE;

(XII) REPLACING FOSSIL-FUEL-FIRED EQUIPMENT WITH HYDROGEN FUELED EQUIPMENT;

(XIII) INSTALLING HYDROGEN FUELING STATIONS FOR FUEL CELL VEHICLES AT INDUSTRIAL FACILITIES;

(XIV) CONVERTING FOSSIL-FUEL-POWERED PUMPS, COMPRESSORS, AND CONTROLLERS TO COMPRESSED AIR-DRIVEN OR ELECTRIC-DRIVEN PUMPS, COMPRESSORS, AND CONTROLLERS;

(XV) INSTALLING ONSITE ENERGY STORAGE;

(XVI) INSTALLING OR UPGRADING TO UTILITY SERVICE FEED EQUIPMENT TO DIRECTLY SUPPORT THE IMPLEMENTATION OF ANY OF THE ELECTRIFICATION IMPROVEMENTS SET FORTH IN THIS SUBSECTION (2)(e);

(XVII) PLACING IN SERVICE CARBON MANAGEMENT SYSTEMS INCLUDING DIRECT AIR CAPTURE AND OTHER FORMS OF CARBON DIOXIDE REMOVAL;

(XVIII) MATERIAL SUBSTITUTIONS WITHIN INDUSTRIAL PROCESSES TO REDUCE INDUSTRIAL PROCESS GREENHOUSE GAS EMISSIONS BY A MINIMUM OF FIFTEEN PERCENT WHEN COMPARED TO EXISTING PRODUCTION PRACTICES; AND

(XIX) OTHER SIMILAR PURCHASES AND IMPROVEMENTS IDENTIFIED AND SET FORTH IN THE STANDARDS DEVELOPED BY THE OFFICE PURSUANT TO SUBSECTION (4) OF THIS SECTION THAT RESULT IN AT LEAST A TWENTY PERCENT REDUCTION IN GREENHOUSE GAS EMISSIONS WHEN COMPARED TO CURRENT TECHNOLOGY, EQUIPMENT, OR PRODUCTION PROCESSES BEING DEPLOYED BY THE OWNER.

(f) "GREENHOUSE GAS EMISSIONS REDUCTION PLAN" OR "PLAN" MEANS PROJECT IMPLEMENTATION PLANS OR SPECIFICATIONS FOR THE PROPOSED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS TO A QUALIFIED INDUSTRIAL FACILITY THAT ARE SUFFICIENTLY DETAILED TO ENABLE THE OFFICE TO EVALUATE WHETHER THE IMPROVEMENTS ARE IN COMPLIANCE WITH THE STANDARDS DEVELOPED UNDER THIS SECTION AND WHETHER THE PLAN WILL MEASURABLY REDUCE GREENHOUSE GAS EMISSIONS AT A QUALIFIED INDUSTRIAL FACILITY. THE PLAN MUST INCLUDE, BUT IS NOT LIMITED TO, A PROPERTY ADDRESS, LEGAL DESCRIPTION, OR OTHER SPECIFIC LOCATION OF THE INDUSTRIAL FACILITY, AND MUST INCLUDE INFORMATION ON THE ESTIMATED COSTS FOR THE PROPOSED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS.

(g) (I) "INDUSTRIAL FACILITY" MEANS ANY REAL PROPERTY IN THE

STATE, AND THE MACHINERY OR EQUIPMENT ON THE REAL PROPERTY, WHERE THE PRINCIPAL TRADE OR BUSINESS ACTIVITY IS THE MECHANICAL OR CHEMICAL TRANSFORMATION OF ORGANIC OR INORGANIC SUBSTANCES INTO NEW PRODUCTS, CHARACTERISTICALLY USING POWER-DRIVEN MACHINES AND MATERIALS HANDLING EQUIPMENT.

(II) "INDUSTRIAL FACILITY" DOES NOT INCLUDE A LANDFILL, AN ELECTRIC UTILITY SUBJECT TO REGULATION BY THE PUBLIC UTILITIES COMMISSION, OR AN UPSTREAM OR MID-STREAM OIL AND GAS OPERATION.

(h) "INDUSTRIAL PROCESS GREENHOUSE GAS EMISSIONS" MEANS GREENHOUSE GAS EMISSIONS THAT OCCUR AS A RESULT OF THE CHEMICAL OR PHYSICAL TRANSFORMATION OF PROCESS INPUT MATERIALS.

(i) "INDUSTRIAL STUDY" MEANS AN ENERGY AND EMISSIONS AUDIT, A FEASIBILITY STUDY, OR A FRONT-END ENGINEERING DESIGN STUDY THAT MEETS OR EXCEEDS THE STANDARDS ESTABLISHED BY THE OFFICE.

(j) "OWNER" MEANS A PERSON SUBJECT TO TAX UNDER THIS ARTICLE 22 WHO APPLIES FOR AND CLAIMS THE CREDIT ALLOWED BY THIS SECTION.

**(3) Availability of credit and amount.** (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT PRIOR TO JANUARY 1, 2033, THERE SHALL BE ALLOWED A CREDIT WITH RESPECT TO THE INCOME TAXES IMPOSED PURSUANT TO THIS ARTICLE 22 TO THE OWNER OF A QUALIFIED INDUSTRIAL FACILITY IN AN AMOUNT EQUAL TO:

(I) THE APPLICABLE PERCENTAGE OF THE COSTS PAID AND APPROVED BY THE OFFICE FOR COMPLETING AN INDUSTRIAL STUDY DURING THE TAX YEAR IN WHICH THE CREDIT IS CLAIMED; EXCEPT THAT THE CREDIT CANNOT BE CLAIMED IN AN AMOUNT EXCEEDING ONE MILLION DOLLARS; OR

(II) THE APPLICABLE PERCENTAGE OF THE CAPITAL COSTS PAID BY THE OWNER, NOT INCLUDING THE COST FOR DESIGN, AND APPROVED BY THE OFFICE FOR CERTIFIED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS THAT ARE PLACED IN SERVICE DURING THE TAX YEAR IN WHICH THE CREDIT IS CLAIMED; EXCEPT THAT THE CREDIT MUST BE CLAIMED IN AN AMOUNT THAT IS NOT LESS THAN SEVENTY-FIVE THOUSAND DOLLARS AND DOES NOT EXCEED FIVE MILLION DOLLARS.

(b) (I) IF THE OFFICE APPROVES THE OWNER'S INDUSTRIAL STUDY OR GREENHOUSE GAS EMISSIONS REDUCTION PLAN AND RESERVES CREDITS UNDER SUBSECTION (6) OF THIS SECTION, THE OFFICE SHALL APPLY THE APPLICABLE PERCENTAGE OF THE COSTS PAID FOR COMPLETING AN INDUSTRIAL STUDY OR THE CAPITAL COSTS PAID FOR GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS TO CALCULATE THE AMOUNT OF THE CREDIT THAT THE OWNER WILL RECEIVE FOR THE TAX YEAR IN WHICH THE INDUSTRIAL STUDY IS COMPLETED OR THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS ARE PLACED IN SERVICE.

(II) THE OFFICE MAY ON A CASE BY CASE BASIS DETERMINE THAT THE APPLICABLE PERCENTAGE MAY BE INCREASED TO AN AMOUNT NOT TO EXCEED FIFTY PERCENT UPON REQUEST BY AN OWNER FOR GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS THAT HAVE SIGNIFICANT POTENTIAL TO SIGNIFICANTLY ADVANCE REDUCTIONS IN GREENHOUSE GAS EMISSIONS BUT MAY NOT BE IN THE COMMERCIAL STAGE OF DEVELOPMENT. IN EVALUATING SUCH A REQUEST, THE OFFICE MAY USE UNITED STATES DEPARTMENT OF ENERGY TECHNOLOGY READINESS LEVEL CRITERIA, SCIENTIFIC LITERATURE DETAILING POTENTIAL DECARBONIZATION IMPACTS OF PROPOSED TECHNOLOGY, OR SUBSEQUENT LITERATURE ON TECHNOLOGY RESULTS TO DATE TO DETERMINE WHETHER THE REQUESTED INCREASE OF THE APPLICABLE PERCENTAGE SUFFICIENTLY SATISFIES THE OFFICE'S CRITERIA TO JUSTIFY THE INCREASE.

(c) AN OWNER THAT CLAIMS THE CREDIT ALLOWED BY THIS SECTION CANNOT CLAIM THE CREDIT ALLOWED BY SECTION 39-30-104 WITH RESPECT TO THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS OR RECEIVE GRANT MONEY UNDER THE INDUSTRIAL AND MANUFACTURING OPERATIONS CLEAN AIR GRANT PROGRAM CREATED IN SECTION 24-38.5-116 (3)(a).

**(4) Office to develop standards.** (a) THE OFFICE SHALL DEVELOP STANDARDS FOR THE APPROVAL OF INDUSTRIAL FACILITIES AS QUALIFIED INDUSTRIAL FACILITIES FOR WHICH A TAX CREDIT UNDER THIS SECTION IS ALLOWED TO AN OWNER.

(b) THE OFFICE SHALL DEVELOP STANDARDS FOR THE APPROVAL OF INDUSTRIAL STUDIES, FOR THE APPROVAL OF AN INDUSTRIAL FACILITY OWNER'S GREENHOUSE GAS EMISSIONS REDUCTION PLAN, FOR CERTIFYING GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS, INCLUDING

VERIFICATION OF REDUCTION IN GREENHOUSE GAS EMISSIONS, AND FOR REVIEWING THE COST CERTIFICATIONS FOR THE COSTS OF THE INDUSTRIAL STUDY AND THE COSTS RELATED TO THE IMPLEMENTATION OF A GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS PLAN. THE STANDARDS THAT ARE ADOPTED PURSUANT TO THIS SUBSECTION (4)(b), MUST PROVIDE THAT A PLAN PROPOSE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS THAT LEAD TO DIRECT REDUCTIONS THROUGH PROJECT IMPLEMENTATION.

(c) ANY STANDARDS DEVELOPED BY THE OFFICE UNDER THIS SUBSECTION (4) MUST BE POSTED ON THE OFFICE'S WEBSITE.

(d) THE OFFICE MAY ANNUALLY REVIEW AND UPDATE AS NECESSARY STANDARDS ADOPTED PURSUANT TO THIS SUBSECTION (4).

**(5) Application and industrial study or plan submission.** (a) AN OWNER THAT INTENDS TO CLAIM A CREDIT PURSUANT TO SUBSECTION (3)(a)(I) OF THIS SECTION SHALL SUBMIT TO THE OFFICE AN APPLICATION ON A FORM PRESCRIBED BY THE OFFICE AND ANY DOCUMENTATION THAT THE OFFICE REQUIRES TO DEMONSTRATE THE ANTICIPATED COMPLETION OF AN INDUSTRIAL STUDY IN THE CURRENT OR IN A FUTURE TAX YEAR, INCLUDING THE COST OF THE INDUSTRIAL STUDY AND THE AMOUNT OF CREDIT REQUESTED.

(b) AN OWNER THAT INTENDS TO CLAIM A TAX CREDIT PURSUANT TO SUBSECTION (3)(a)(II) OF THIS SECTION SHALL SUBMIT TO THE OFFICE AN APPLICATION AND PLAN AS SET FORTH IN THE STANDARDS DEVELOPED BY THE OFFICE. THE OFFICE SHALL PRESCRIBE A FORM FOR THE APPLICATION, WHICH MUST INCLUDE A PLACE FOR OWNERS TO PROVIDE THE FOLLOWING INFORMATION:

(I) DETAILED ESTIMATES OF THE CAPITAL COSTS FOR THE PROPOSED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS;

(II) ESTIMATES OF EXPECTED ENERGY CONSUMPTION AVOIDED BY THE USE OF THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS;

(III) ESTIMATED TIMING FOR THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS TO BE PLACED INTO SERVICE;

(IV) FOR CARBON MANAGEMENT PROJECTS, NET REDUCTIONS IN GREENHOUSE GAS EMISSIONS;

(V) ESTIMATED DOLLAR SAVINGS;

(VI) ESTIMATED DOLLARS LEVERAGED, INCLUDING ANY PRIVATE INVESTMENT, STATE GRANT FUNDING, AND FEDERAL GRANTS OR TAX CREDITS;

(VII) THE TYPE AND AGE OF EQUIPMENT BEING REPLACED, IF APPLICABLE;

(VIII) THE TYPE AND ESTIMATED LIFE SPAN OF NEW EQUIPMENT, IF APPLICABLE;

(IX) THE AMOUNT OF CREDIT REQUESTED; AND

(X) ANY OTHER INFORMATION AS SPECIFIED IN THE STANDARDS SET FORTH BY THE OFFICE.

(c) (I) THE OFFICE SHALL ACCEPT APPLICATIONS THROUGH JUNE 30, 2024, AND SEMI-ANNUALLY THROUGH EACH DECEMBER 31 AND JUNE 30 THEREAFTER, THROUGH JUNE 30, 2032.

(II) (A) THE OFFICE SHALL REVIEW APPLICATIONS AND DOCUMENTATION RELATED TO INDUSTRIAL STUDIES TO BE CONDUCTED OR PLANS FOR GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS AT A QUALIFIED INDUSTRIAL FACILITY TO DETERMINE THAT THE APPLICATION, DOCUMENTATION, AND PLAN, IF APPLICABLE, ARE COMPLETE AND IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION AND THE STANDARDS ESTABLISHED BY THE OFFICE.

(B) IF THE OFFICE DETERMINES THAT THE APPLICATION, DOCUMENTATION, AND PLAN, IF APPLICABLE, ARE COMPLETE AND IN COMPLIANCE, THE OFFICE SHALL ADD THE APPLICATION TO AN EVALUATION POOL FOR THE APPLICATION PERIOD.

(C) IF THE OFFICE DETERMINES THAT THE APPLICATION IS INCOMPLETE OR THAT IT DOES NOT COMPLY WITH THE REQUIREMENTS OF THIS SECTION OR THE STANDARDS ESTABLISHED BY THE OFFICE, THE OFFICE



SHALL REMOVE THE APPLICATION FROM THE REVIEW PROCESS AND NOTIFY THE OWNER IN WRITING OF ITS DECISION. AN OWNER MAY RESUBMIT A DISAPPROVED APPLICATION, DOCUMENTATION, AND PLAN, IF APPLICABLE, TO BE EVALUATED IN A FUTURE APPLICATION PERIOD.

**(6) Merit-based review and reservation of credits.** (a) (I) FOR EACH APPLICATION PERIOD, THE OFFICE SHALL CONDUCT A MERIT-BASED EVALUATION OF THE APPLICATIONS THAT HAVE BEEN PLACED IN THE EVALUATION POOL PURSUANT TO SUBSECTION (5)(c)(II)(B) OF THIS SECTION. THE OFFICE SHALL COMPLETE ITS REVIEW, AND AWARD RESERVATIONS, WITHIN NINETY DAYS AFTER THE END OF THE APPLICATION PERIOD.

(II) BASED UPON THE TOTALITY OF THE FACTORS SET FORTH IN SUBSECTION (6)(c) OF THIS SECTION, THE OFFICE MAY ADJUST THE APPLICABLE PERCENTAGE AS PROVIDED IN SUBSECTION (3)(b)(II) OF THIS SECTION AND RESERVE FOR THE BENEFIT OF EACH OWNER ALL, PART, OR NONE OF THE CREDIT AMOUNT REQUESTED BY THE OWNER; EXCEPT THAT THE OFFICE SHALL NOT RESERVE AN AMOUNT IN EXCESS OF THE CREDIT ALLOWED BY SUBSECTION (3)(a) OF THIS SECTION, AND THE AGGREGATE AMOUNT OF CREDITS RESERVED FOR ALL OWNERS MAY NOT EXCEED THE RESERVATION LIMITS SET FORTH IN SUBSECTION (8) OF THIS SECTION.

(III) THE OFFICE MAY RESERVE CREDITS FOR THE CURRENT OR ANY FUTURE TAX YEAR BASED UPON THE ANTICIPATED COMPLETION OR IN SERVICE DATE INDICATED IN THE APPLICATION; EXCEPT THAT CREDITS MAY NOT BE RESERVED FOR AN INDUSTRIAL STUDY COMPLETED OR FOR GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS PLACED IN SERVICE PRIOR TO THE END OF THE APPLICATION PERIOD. THE OFFICE SHALL NOT RESERVE TAX CREDITS FOR ANY TAX YEAR BEGINNING ON OR AFTER JANUARY 1, 2033.

(b) (I) IF THE OFFICE RESERVES CREDITS FOR THE BENEFIT OF AN OWNER UNDER SUBSECTION (6)(a) OF THIS SECTION, THE OFFICE SHALL NOTIFY THE OWNER OF THE RESERVATION AND THE AMOUNT RESERVED. THE RESERVATION OF TAX CREDITS DOES NOT ENTITLE THE OWNER TO AN ISSUANCE OF ANY TAX CREDIT CERTIFICATES UNTIL THE OWNER COMPLIES WITH ALL OF THE REQUIREMENTS SPECIFIED IN THIS SECTION, OR BY THE OFFICE, FOR THE ISSUANCE OF A TAX CREDIT CERTIFICATE.

(II) THE OFFICE SHALL NOTIFY ANY OWNER FOR WHICH IT RESERVED

NO CREDIT UNDER SUBSECTION (6)(a) OF THIS SECTION OF ITS DECISION IN WRITING.

(III) IF THE OFFICE RESERVES LESS THAN THE FULL AMOUNT OF CREDIT REQUESTED BY THE OWNER, THE OWNER MAY SUBMIT A NEW APPLICATION FOR THE REMAINING BALANCE UP TO THE AMOUNT OF CREDIT ALLOWED BY SUBSECTION (3)(a) OF THIS SECTION IN A FUTURE APPLICATION PERIOD.

(c) (I) IN CONDUCTING THE MERIT-BASED REVIEW PURSUANT TO SUBSECTION (6)(a) OF THIS SECTION, THE OFFICE SHALL CONSIDER THE FACTORS SET FORTH IN THIS SUBSECTION (6)(c) IN ADDITION TO ANY OTHER FACTORS THE OFFICE MAY ESTABLISH IN ITS GUIDELINES. THE OFFICE MAY WEIGH THE FACTORS EQUALLY OR DIFFERENTLY.

(II) THE OFFICE SHALL:

(A) CONSIDER ADDITIONAL RESOURCES LEVERAGED BY THE OWNER TO CONDUCT THE INDUSTRIAL STUDY OR IMPLEMENT THE PLAN; AND

(B) PRIORITIZE THE LOCATION OF THE INDUSTRIAL FACILITY THAT IS THE SUBJECT OF THE INDUSTRIAL STUDY OR THE PLAN, IN PARTICULAR IF THE LOCATION IS IN A DISPROPORTIONATELY IMPACTED COMMUNITY OR WITHIN A NON-ATTAINMENT AREA.

(III) IN ADDITION TO THE FACTORS SET FORTH IN SUBSECTION (6)(c)(II) OF THIS SECTION, FOR AN APPLICATION THAT IS REQUESTING A RESERVATION OF CREDIT FOR THE CREDIT ALLOWED PURSUANT TO SUBSECTION (3)(a)(II) OF THIS SECTION, THE OFFICE SHALL ALSO CONSIDER:

(A) THE ANNUAL GREENHOUSE GAS EMISSIONS REDUCTION IMPACT, CONSIDERING BOTH THE TOTAL IMPACT AND THE PER DOLLAR IMPACT FOR THE AMOUNT OF CREDIT REQUESTED TO BE RESERVED;

(B) ANY CO-BENEFITS OF A PROJECT THAT WILL IMPLEMENT THE PLAN WITH PRIORITIZATION GIVEN TO PROJECTS THAT LIMIT THE AMOUNT OF POLLUTANTS EMITTED BY EMERGING TECHNOLOGIES, INCLUDING PROJECTS THAT INCLUDE ELECTRIFICATION AND USE OF RENEWABLE ELECTRICITY;

(C) THE READINESS OF A GREENHOUSE GAS EMISSIONS REDUCTION

IMPROVEMENT THAT WILL BE IMPLEMENTED BY THE PLAN; AND

(D) THE INNOVATIVE NATURE OF THE PLAN AND PROPOSED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS.

**(7) Proof of compliance - audit of cost certification - issuance of tax credit certificate.** (a) ANY OWNER RECEIVING A RESERVATION OF TAX CREDITS UNDER SUBSECTION (6) OF THIS SECTION FOR CREDITS ALLOWED PURSUANT TO SUBSECTION (3)(a) OF THIS SECTION SHALL COMPLETE THE APPROVED INDUSTRIAL STUDY OR PUT THE APPROVED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS IDENTIFIED IN THE PLAN IN SERVICE DURING THE TAX YEAR FOR WHICH THE RESERVATION IS APPROVED. WHEN THE APPROVED INDUSTRIAL STUDY IS COMPLETE OR THE APPROVED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS ARE PLACED IN SERVICE, THE OWNER SHALL NOTIFY THE OFFICE OF THE COMPLETION OF THE INDUSTRIAL STUDY OR PLAN AND SHALL PROVIDE THE OFFICE WITH A COST CERTIFICATION OF THE COSTS FOR THE APPROVED INDUSTRIAL STUDY OR APPROVED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS. THE COST CERTIFICATION MUST BE AUDITED BY A LICENSED CERTIFIED PUBLIC ACCOUNTANT THAT IS NOT AFFILIATED WITH THE OWNER. THE OFFICE SHALL REVIEW THE COST CERTIFICATION AND VERIFY THAT IT SATISFIES THE INFORMATION PROVIDED IN THE OWNER'S APPLICATION, INCLUDING, IF APPLICABLE, THE PLAN, WITHIN NINETY DAYS AFTER RECEIPT OF THE COST CERTIFICATION. IF THE OFFICE DETERMINES THAT THE INDUSTRIAL STUDY IS COMPLETE OR THAT THE PLAN IS COMPLETE AND THAT THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS HAVE BEEN PLACED IN SERVICE, AND THE OFFICE APPROVES THE COST CERTIFICATION, THE OFFICE SHALL ISSUE A TAX CREDIT CERTIFICATE IN THE AMOUNT ALLOWED PURSUANT TO SUBSECTION (3) OF THIS SECTION.

(b) NOTWITHSTANDING SUBSECTION (7)(a) OF THIS SECTION, THE TOTAL AMOUNT OF THE INITIAL TAX CREDIT CERTIFICATE ISSUED FOR AN INDUSTRIAL STUDY OR CERTIFIED GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENT MUST NOT EXCEED THE AMOUNT OF THE TAX CREDIT RESERVATION APPROVED PURSUANT TO SUBSECTION (6)(a) OF THIS SECTION.

(c) IF THE AMOUNT OF CERTIFIED COSTS INCURRED BY THE OWNER WOULD RESULT IN AN OWNER BEING ISSUED AN AMOUNT THAT EXCEEDS THE AMOUNT OF TAX CREDIT RESERVED FOR THE OWNER UNDER SUBSECTION (6) OF THIS SECTION, THE OWNER MAY APPLY TO THE OFFICE FOR THE ISSUANCE

OF AN AMOUNT OF TAX CREDITS THAT EQUALS THE EXCESS. THE OWNER SHALL SUBMIT ITS APPLICATION FOR ISSUANCE OF SUCH EXCESS TAX CREDITS ON A FORM PRESCRIBED BY THE OFFICE. THE OFFICE SHALL REVIEW THE APPLICATION FOR AN ADDITIONAL TAX CREDIT AMOUNT IN THE SAME MANNER IT REVIEWS ALL OTHER APPLICATIONS AND IN ACCORDANCE WITH SUBSECTION (6)(a) OF THIS SECTION. SUBJECT TO THE AVAILABILITY OF TAX CREDITS FOR THE APPLICATION PERIOD DURING WHICH THE OWNER APPLIES FOR THE ADDITIONAL CREDIT AWARD PURSUANT TO THIS SUBSECTION (7)(c), THE OFFICE MAY APPROVE THE APPLICATION AND SHALL ISSUE A SEPARATE CERTIFICATE.

**(8) Limit on aggregate amount of tax credits available to be reserved.** (a) FOR THE APPLICATION PERIOD ENDING JUNE 30, 2024, AND FOR EACH SEMI-ANNUAL APPLICATION PERIOD COMMENCING ON OR AFTER JULY 1, 2024, BUT BEFORE JULY 1, 2028, THE AGGREGATE AMOUNT OF ALL TAX CREDITS THAT MAY BE RESERVED UNDER SUBSECTION (6)(a) OF THIS SECTION AND AWARDED UNDER SUBSECTION (7)(c) OF THIS SECTION MUST NOT EXCEED EIGHT MILLION DOLLARS. FOR APPLICATION PERIODS COMMENCING ON OR AFTER JULY 1, 2028, BUT BEFORE JULY 1, 2032, THE AGGREGATE AMOUNT OF ALL TAX CREDITS THAT MAY BE RESERVED UNDER SUBSECTION (6)(a) OF THIS SECTION MUST NOT EXCEED TWELVE MILLION DOLLARS.

(b) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (8)(a) OF THIS SECTION, THE OFFICE MAY INCREASE THE PERIODIC AGGREGATE AMOUNT OF TAX CREDITS AVAILABLE FOR THE APPLICATION PERIOD ENDING JUNE 30, 2024, AND FOR ANY SEMI-ANNUAL APPLICATION PERIOD COMMENCING ON OR AFTER JULY 1, 2024, BUT BEFORE JULY 1, 2028. IF SO INCREASED, THE OFFICE SHALL DECREASE ACCORDINGLY THE AMOUNT OF TAX CREDITS AVAILABLE FOR THE APPLICATION PERIODS COMMENCING ON OR AFTER JULY 1, 2028, BUT BEFORE JULY 1, 2032.

(c) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (8)(a) OF THIS SECTION, IF THE AGGREGATE AMOUNT OF ALL TAX CREDITS RESERVED PURSUANT TO SUBSECTION (6)(a) OF THIS SECTION AND AWARDED PURSUANT TO SUBSECTION (7)(c) OF THIS SECTION FOR AN APPLICATION PERIOD IS LESS THAN THE AMOUNT AVAILABLE UNDER SUBSECTIONS (8)(a) AND (8)(b) OF THIS SECTION, THEN THE AGGREGATE AMOUNT OF ALL TAX CREDITS THAT MAY BE RESERVED AND AWARDED IN THE NEXT APPLICATION PERIOD IS INCREASED BY THE UNRESERVED AND UNAWARDED AMOUNT.

(9) THE OFFICE SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT TO PROCESS RETURNS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS SECTION, PROVIDE THE DEPARTMENT WITH AN ELECTRONIC REPORT OF EACH OWNER TO WHICH THE OFFICE HAS ISSUED A TAX CREDIT CERTIFICATE, AS ALLOWED IN SUBSECTION (7) OF THIS SECTION, FOR THE PRECEDING TAX YEAR THAT INCLUDES THE FOLLOWING INFORMATION:

(a) THE TAXPAYER'S NAME;

(b) THE AMOUNT OF THE CREDIT; AND

(c) THE TAXPAYER'S SOCIAL SECURITY NUMBER OR THE TAXPAYER'S COLORADO ACCOUNT NUMBER AND FEDERAL EMPLOYER IDENTIFICATION NUMBER.

(10) **Guidelines.** (a) IN ADDITION TO THE STANDARDS THAT THE OFFICE IS REQUIRED TO ESTABLISH PURSUANT TO SUBSECTION (4) OF THIS SECTION, THE OFFICE MAY ESTABLISH GUIDELINES TO IMPLEMENT THIS SECTION. ALL GUIDELINES ESTABLISHED BY THE OFFICE MUST BE POSTED ON THE OFFICE'S WEBSITE.

(b) THE OFFICE SHALL MAINTAIN A DATABASE OF ANY INFORMATION NECESSARY TO EVALUATE THE EFFECTIVENESS OF THE TAX CREDIT ALLOWED IN THIS SECTION IN MEETING THE PURPOSE SET FORTH IN SUBSECTION (1)(a) OF THIS SECTION AND SHALL PROVIDE THIS INFORMATION AND ANY OTHER INFORMATION REQUESTED, IF AVAILABLE, TO THE STATE AUDITOR AS PART OF THE STATE AUDITOR'S EVALUATION OF THIS TAX EXPENDITURE REQUIRED BY SECTION 39-21-305. INFORMATION PROVIDED BY THE OFFICE TO THE STATE AUDITOR MAY INCLUDE APPROVED INDUSTRIAL STUDIES OR APPROVED PLANS FOR GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS.

(11) IN ORDER TO CLAIM THE CREDIT AUTHORIZED BY THIS SECTION, THE OWNER SHALL FILE THE TAX CREDIT CERTIFICATE WITH THE OWNER'S STATE INCOME TAX RETURN. THE AMOUNT OF THE CREDIT THAT THE OWNER MAY CLAIM UNDER THIS SECTION IS THE AMOUNT STATED ON THE TAX CREDIT CERTIFICATE.

(12) (a) AN OWNER SHALL SUBMIT A REPORT TO THE OFFICE BY THE END OF THE FIRST MONTH AFTER THE END OF ANY INCOME TAX YEAR IN

WHICH THE OWNER RECEIVED A TAX CREDIT UNDER THIS SECTION AND SHALL ANNUALLY SUBMIT A REPORT FOR THREE YEARS THEREAFTER VERIFYING THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS ARE, NOTWITHSTANDING CIRCUMSTANCES EVALUATED AND DETERMINED BY THE OFFICE TO BE JUSTIFIED, IN USE AT THE LOCATION IDENTIFIED IN THE OWNER'S APPLICATION FOR A TAX CREDIT CERTIFICATE AND REMAIN OWNED BY THE OWNER.

(b) IF AN OWNER WAS ALLOWED A CREDIT UNDER THIS SECTION AND FAILS TO DEMONSTRATE THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS ARE, NOTWITHSTANDING CIRCUMSTANCES EVALUATED AND DETERMINED BY THE OFFICE TO BE JUSTIFIED, IN USE AT THE LOCATION IDENTIFIED IN THE OWNER'S APPLICATION FOR A TAX CREDIT CERTIFICATE OR ARE OWNED BY THE OWNER IN ANY OF THE THREE TAXABLE YEARS IMMEDIATELY FOLLOWING THE TAXABLE YEAR IN WHICH THE GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS WERE PLACED IN SERVICE, THE OFFICE SHALL NOTIFY THE DEPARTMENT IN WRITING THAT THE CREDIT ALLOWED IN THIS SECTION MUST BE DISALLOWED FOR THAT OWNER. THE OWNER SHALL ADD THE AMOUNT OF THE DISALLOWED CREDIT TO ITS RETURN AS A RECAPTURED CREDIT FOR THE TAX YEAR IN WHICH THE CREDIT IS DISALLOWED PURSUANT TO THIS SUBSECTION (12).

(13) IF A CREDIT AUTHORIZED BY THIS SECTION EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE OWNER FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND MUST BE REFUNDED TO THE OWNER.

(14) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2038.

**SECTION 6.** In Colorado Revised Statutes, **add** 39-22-552 as follows:

**39-22-552. Tax credit for expenditures made in connection with a geothermal energy project - tax preference performance statement - definitions - repeal.** (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED IN THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS AND

TO PROVIDE A REDUCTION IN INCOME TAX LIABILITY FOR CERTAIN BUSINESSES OR INDIVIDUALS BY PROVIDING A FINANCIAL INCENTIVE FOR THE DEVELOPMENT OF ELECTRICITY GENERATION FROM GEOTHERMAL SOURCES.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE NUMBER AND VALUE OF THE CREDITS CLAIMED.

(2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) (I) "APPLICABLE AMOUNT" MEANS, EXCEPT AS PROVIDED IN SUBSECTION (2)(a)(II) OF THIS SECTION, AN AMOUNT OF TAX CREDIT NOT TO EXCEED THIRTY PERCENT OF A QUALIFIED EXPENDITURE BY AN ELIGIBLE TAXPAYER THAT IS ALLOWED PURSUANT TO THIS SECTION AS SET BY THE OFFICE IN ACCORDANCE WITH SUBSECTION (4)(c) OF THIS SECTION.

(II) THE OFFICE MAY, ON A CASE-BY-CASE BASIS, DETERMINE THAT THE APPLICABLE AMOUNT MAY BE INCREASED TO AN AMOUNT NOT TO EXCEED FIFTY PERCENT OF A QUALIFIED EXPENDITURE BY AN ELIGIBLE TAXPAYER IF THE OFFICE DETERMINES THAT A GEOTHERMAL ENERGY PROJECT HAS SIGNIFICANT POTENTIAL TO RESULT IN GEOTHERMAL ELECTRICITY PRODUCTION OR TECHNOLOGICAL DEMONSTRATION OF GEOTHERMAL ELECTRICITY PRODUCTION.

(b) "APPROVED GEOTHERMAL ENERGY PROJECT" MEANS A GEOTHERMAL ENERGY PROJECT THAT HAS BEEN APPROVED TO RECEIVE QUALIFIED EXPENDITURES BY THE OFFICE PURSUANT TO THE STANDARDS DEVELOPED BY THE OFFICE IN ACCORDANCE WITH SUBSECTION (5) OF THIS SECTION.

(c) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101.

(d) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(e) "ELIGIBLE TAXPAYER" MEANS A PERSON ENGAGED IN A TRADE OR BUSINESS THAT IS SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22, OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE THAT IS EXEMPT FROM

TAX PURSUANT TO SECTION 39-22-112 (1), THAT MAKES A QUALIFIED EXPENDITURE.

(f) "GEOHERMAL ENERGY PROJECT" OR "PROJECT" MEANS A PROJECT IN THE STATE THAT IS INTENDED TO EVALUATE AND DEVELOP A GEOHERMAL RESOURCE FOR THE PURPOSE OF ELECTRICITY PRODUCTION, THAT MEETS THE STANDARDS DEVELOPED PURSUANT TO SUBSECTION (5) OF THIS SECTION, AND THAT INVOLVES ANY OF THE FOLLOWING:

(I) THE EXPLORATION AND DEVELOPMENT OF WELLS;

(II) DRILLING EXPLORATION AND CONFIRMATION WELLS;

(III) THE USE OF ANY HEAT EXTRACTED WITH PRODUCED FLUIDS IN AN OIL AND GAS OPERATION IF THE HEAT IS ONLY UTILIZED TO REDUCE EMISSIONS FROM THE OPERATION IN THE SAME LOCATION AS THE WELL FROM WHICH IT WAS PRODUCED AND WOULD OTHERWISE NOT BE ECONOMICALLY FEASIBLE AS A STAND-ALONE GEOHERMAL ENERGY PROJECT;

(IV) DRILLING INJECTION WELLS;

(V) FLOW TESTING;

(VI) RESERVOIR ENGINEERING;

(VII) GEOHERMAL ENERGY STORAGE;

(VIII) COPRODUCTION OF GEOHERMAL ENERGY; OR

(IX) POWER GENERATION EQUIPMENT.

(g) "QUALIFIED EXPENDITURE" MEANS THE TOTAL MONETARY COST APPROVED BY THE OFFICE AND EXPENDED ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, BY AN ELIGIBLE TAXPAYER IN CONNECTION WITH AN APPROVED GEOHERMAL ENERGY PROJECT IN THE TAX YEAR FOR WHICH THE CREDIT ALLOWED IN THIS SECTION IS CLAIMED.

(3)(a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, AN ELIGIBLE TAXPAYER THAT MAKES A QUALIFIED EXPENDITURE IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED



UNDER THIS ARTICLE 22 IN THE APPLICABLE AMOUNT AND SUBJECT TO THE LIMITATIONS SET FORTH IN SUBSECTION (3)(b) OF THIS SECTION.

(b) AN ELIGIBLE TAXPAYER IS NOT ALLOWED A TAX CREDIT PURSUANT TO THIS SECTION IN AN AGGREGATE AMOUNT OF MORE THAN FIVE MILLION DOLLARS IN TAX CREDITS FOR ALL INCOME TAX YEARS FOR WHICH THE TAX CREDIT MAY BE CLAIMED PURSUANT TO THIS SECTION PER APPROVED GEOTHERMAL ENERGY PROJECT.

(4) (a) AN ELIGIBLE TAXPAYER SHALL SUBMIT AN APPLICATION IN A FORM AND MANNER DETERMINED BY THE OFFICE FOR A TAX CREDIT CERTIFICATE FOR THE CREDIT ALLOWED IN THIS SECTION. THE APPLICATION MUST INCLUDE:

(I) INFORMATION SUFFICIENT FOR THE OFFICE TO EVALUATE THE GEOTHERMAL ENERGY PROJECT FOR WHICH THE ELIGIBLE TAXPAYER PROPOSES MAKING AN EXPENDITURE AND TO APPROVE THE PROJECT IF THE PROJECT HAS NOT BEEN PREVIOUSLY APPROVED BY THE OFFICE;

(II) INFORMATION RELATED TO THE SPECIFIC COSTS ASSOCIATED WITH THE PROPOSED EXPENDITURE;

(III) ESTIMATED TIMING FOR THE PROPOSED EXPENDITURE TO BE MADE BY THE ELIGIBLE TAXPAYER;

(IV) THE AMOUNT OF CREDIT REQUESTED; AND

(V) ANY OTHER INFORMATION AS SPECIFIED IN THE STANDARDS SET FORTH BY THE OFFICE.

(b) (I) THE OFFICE SHALL ACCEPT APPLICATIONS THROUGH JUNE 30, 2024, AND SEMI-ANNUALLY THROUGH EACH DECEMBER 31 AND JUNE 30 THEREAFTER, THROUGH JUNE 30, 2032.

(II) (A) THE OFFICE SHALL REVIEW APPLICATIONS AND DOCUMENTATION PROVIDED PURSUANT TO SUBSECTION (4)(a) OF THIS SECTION TO DETERMINE WHETHER THE APPLICATION AND DOCUMENTATION ARE COMPLETE AND IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION AND THE STANDARDS ESTABLISHED BY THE OFFICE.

(B) IF THE OFFICE DETERMINES THAT THE APPLICATION AND DOCUMENTATION ARE COMPLETE AND IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION AND THE STANDARDS ESTABLISHED BY THE OFFICE, THE OFFICE SHALL ADD THE APPLICATION TO THE EVALUATION POOL FOR THE APPLICATION PERIOD.

(C) IF THE OFFICE DETERMINES THAT THE APPLICATION OR DOCUMENTATION, OR BOTH, ARE NOT COMPLETE OR DO NOT COMPLY WITH THE REQUIREMENTS OF THIS SECTION OR THE STANDARDS ESTABLISHED BY THE OFFICE, THE OFFICE SHALL REMOVE THE APPLICATION FROM THE REVIEW PROCESS AND NOTIFY THE TAXPAYER IN WRITING OF ITS DECISION. A TAXPAYER MAY RESUBMIT A DISAPPROVED APPLICATION AND DOCUMENTATION TO BE EVALUATED IN A FUTURE APPLICATION PERIOD.

(c) (I) (A) FOR EACH APPLICATION PERIOD, THE OFFICE SHALL CONDUCT A MERIT-BASED EVALUATION OF THE APPLICATION IN THE EVALUATION POOL. THE OFFICE SHALL COMPLETE ITS REVIEW AND AWARD RESERVATIONS WITHIN NINETY DAYS AFTER THE END OF THE APPLICATION PERIOD.

(B) BASED UPON THE TOTALITY OF THE FACTORS SET FORTH IN SUBSECTION (4)(d) OF THIS SECTION AND BASED ON CONSIDERATIONS REQUIRED FOR GEOTHERMAL ENERGY PROJECTS AS SET FORTH IN SUBSECTION (5) OF THIS SECTION, WHICH THE OFFICE MAY WEIGH EQUALLY OR DIFFERENTLY, THE OFFICE SHALL DETERMINE AN APPLICABLE AMOUNT OF CREDIT THAT MAY BE RESERVED FOR THE BENEFIT OF THE ELIGIBLE TAXPAYER WHICH MAY BE ALL, PART, OR NONE OF THE CREDIT AMOUNT REQUESTED IN THE ELIGIBLE TAXPAYER'S APPLICATION; EXCEPT THAT THE OFFICE SHALL NOT RESERVE AN AMOUNT IN EXCESS OF THE LIMITATIONS SET FORTH IN SUBSECTION (3)(b) OF THIS SECTION, AND THE AGGREGATE AMOUNT OF CREDITS RESERVED FOR ALL OWNERS MUST NOT EXCEED THIRTY-FIVE MILLION DOLLARS FOR ALL TAXPAYERS IN ALL YEARS THE CREDIT IS ALLOWED.

(C) THE OFFICE MAY RESERVE CREDITS FOR THE CURRENT OR ANY FUTURE TAX YEAR BASED UPON THE ANTICIPATED TIMING OF THE EXPENDITURE; EXCEPT THAT CREDITS MAY NOT BE RESERVED FOR AN EXPENDITURE THAT IS MADE PRIOR TO THE END OF THE APPLICATION PERIOD. THE OFFICE SHALL NOT RESERVE CREDITS FOR ANY TAX YEAR BEGINNING ON OR AFTER JANUARY 1, 2033.

(II) (A) IF THE OFFICE RESERVES CREDITS FOR THE BENEFIT OF AN ELIGIBLE TAXPAYER PURSUANT TO SUBSECTION (4)(c)(I) OF THIS SECTION, THE OFFICE SHALL NOTIFY THE OWNER OF THE RESERVATION AND THE AMOUNT RESERVED.

(B) THE OFFICE SHALL NOTIFY ANY TAXPAYER FOR WHICH IT RESERVED NO CREDIT PURSUANT TO SUBSECTION (4)(c)(I) OF THIS SECTION OF ITS DECISION IN WRITING.

(C) IF THE OFFICE RESERVES LESS THAN THE FULL AMOUNT OF CREDIT REQUESTED BY THE TAXPAYER, THE TAXPAYER MAY SUBMIT A NEW APPLICATION FOR THE REMAINING BALANCE UP TO THE LIMITATION OF THE CREDIT SET FORTH IN SUBSECTION (3)(b) OF THIS SECTION.

(d) IN CONDUCTING THE MERIT-BASED REVIEW PURSUANT TO SUBSECTION (4)(c) OF THIS SECTION, THE OFFICE SHALL CONSIDER THE FOLLOWING FACTORS IN ADDITION TO ANY OTHER FACTORS THAT THE OFFICE MAY ESTABLISH IN ITS STANDARDS:

(I) THE WORKFORCE DEVELOPMENT AND GEOTHERMAL SECTOR GROWTH THAT THE EXPENDITURE IN THE PROJECT WILL PROMOTE, INCLUDING SUPPORTING WORKFORCE TRANSITION;

(II) WHETHER THE PROJECT THE EXPENDITURE IS MADE IN CONNECTION WITH DEMONSTRATES EFFECTIVE AND UNIQUE TECHNOLOGY AND CIRCUMSTANCES THAT ARE SUPPORTED BY PUBLIC OUTREACH AND EDUCATION;

(III) DEMONSTRATION OF COMMUNITY RESILIENCE THROUGH UTILIZATION OF GEOTHERMAL ENERGY IN SUPPORT OF BUILDING HEATING AND COOLING DECARBONIZATION OR ENHANCEMENT OF ELECTRIC GRID RESILIENCY, INCLUDING FOR DISPATCHABILITY AND ENERGY STORAGE, ESPECIALLY FOR RURAL OR ISOLATED COMMUNITIES; AND

(IV) WHETHER THE PROJECT THE EXPENDITURE IS MADE IN CONNECTION WITH SERVES A DISPROPORTIONATELY IMPACTED COMMUNITY OR A JUST TRANSITION COMMUNITY OR IS WITHIN A NON-ATTAINMENT AREA.

(e) THE RESERVATION OF TAX CREDITS DOES NOT ENTITLE AN ELIGIBLE TAXPAYER TO AN ISSUANCE OF ANY CREDITS UNTIL THE ELIGIBLE

TAXPAYER PROVIDES THE OFFICE WITH ANY DOCUMENTATION REQUIRED BY THE OFFICE AND A COST CERTIFICATION OF THE EXPENDITURE MADE IN CONNECTION WITH AN APPROVED GEOTHERMAL ENERGY PROJECT DURING THE TAX YEAR IN WHICH THE RESERVATION IS APPROVED. THE COST CERTIFICATION MUST BE AUDITED BY A LICENSED PUBLIC ACCOUNTANT THAT IS NOT AFFILIATED WITH THE ELIGIBLE TAXPAYER. THE OFFICE SHALL REVIEW THE COST CERTIFICATION TO VERIFY THAT IT SATISFIES THE INFORMATION PROVIDED IN THE ELIGIBLE TAXPAYER'S APPLICATION. IF THE OFFICE DETERMINES THAT THE ELIGIBLE TAXPAYER MADE A QUALIFIED EXPENDITURE, THE OFFICE SHALL ISSUE A TAX CREDIT CERTIFICATE IN THE APPLICABLE AMOUNT.

(5) THE OFFICE SHALL DEVELOP STANDARDS FOR THE IMPLEMENTATION OF THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION. ANY STANDARDS DEVELOPED BY THE OFFICE MUST BE POSTED ON THE OFFICE'S WEBSITE. AT A MINIMUM, THE STANDARDS MUST PROVIDE FOR THE EVALUATION AND APPROVAL OF GEOTHERMAL ENERGY PROJECTS AND REQUIRE THE OFFICE TO CONSIDER WHETHER THE PROJECT:

(a) DEMONSTRATES TECHNOLOGY TO FURTHER THE ADOPTION OF CLEAN, FIRM CARBON-FREE ELECTRICITY DERIVED FROM GEOTHERMAL ENERGY IN THE STATE;

(b) SUPPORTS REPLICABLE, COST-EFFECTIVE REDUCTION OUTCOMES TO STIMULATE THE GEOTHERMAL SECTOR OR OTHERWISE EXPAND GEOTHERMAL ENERGY CAPACITY IN THE STATE; AND

(c) DIRECTLY, OR THROUGH TECHNOLOGICAL DEMONSTRATION EVALUATED AND APPROVED BY THE OFFICE, WILL LEAD TO MEASURABLE GREENHOUSE GAS REDUCTION OUTCOMES FOR THE STATE.

(6) (a) THE OFFICE SHALL MAINTAIN A DATABASE OF ANY INFORMATION NECESSARY TO EVALUATE THE EFFECTIVENESS OF THE TAX CREDIT ALLOWED IN THIS SECTION IN MEETING THE PURPOSE SET FORTH IN SUBSECTION (1)(a) OF THIS SECTION AND SHALL PROVIDE SUCH INFORMATION, AND ANY OTHER INFORMATION THAT MAY BE NEEDED, IF AVAILABLE, TO THE STATE AUDITOR AS PART OF THE STATE AUDITOR'S EVALUATION OF THIS TAX EXPENDITURE REQUIRED BY SECTION 39-21-305.

(b) THE OFFICE SHALL, IN A SUFFICIENTLY TIMELY MANNER TO

ALLOW THE DEPARTMENT TO PROCESS RETURNS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS SECTION, PROVIDE THE DEPARTMENT WITH AN ELECTRONIC REPORT OF EACH ELIGIBLE TAXPAYER TO WHICH THE OFFICE ISSUED A TAX CREDIT CERTIFICATE FOR THE PRECEDING TAX YEAR THAT INCLUDES THE FOLLOWING INFORMATION:

(I) THE TAXPAYER'S NAME;

(II) THE AMOUNT OF THE CREDIT; AND

(III) THE TAXPAYER'S SOCIAL SECURITY NUMBER OR THE TAXPAYER'S COLORADO ACCOUNT NUMBER AND FEDERAL EMPLOYER IDENTIFICATION NUMBER.

(7) AN ELIGIBLE TAXPAYER THAT CLAIMS THE CREDIT ALLOWED BY THIS SECTION MAY NOT CLAIM THE CREDIT ALLOWED BY SECTION 39-30-104 FOR THE SAME PROJECT.

(8) IN ORDER TO CLAIM THE CREDIT AUTHORIZED BY THIS SECTION, AN ELIGIBLE TAXPAYER SHALL FILE THE TAX CREDIT CERTIFICATE WITH THE QUALIFIED ENTITY'S STATE INCOME TAX RETURN AND, IF THE ELIGIBLE TAXPAYER IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1), THE ELIGIBLE TAXPAYER SHALL FILE A RETURN PURSUANT TO SECTION 39-22-601 (7)(b). THE AMOUNT OF THE CREDIT THAT THE ELIGIBLE TAXPAYER MAY CLAIM PURSUANT TO THIS SECTION IS THE AMOUNT STATED ON THE TAX CREDIT CERTIFICATE.

(9) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE ELIGIBLE TAXPAYER FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND MUST BE REFUNDED TO THE ELIGIBLE TAXPAYER.

(10) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2038.

**SECTION 7.** In Colorado Revised Statutes, add 39-22-553 as follows:

**39-22-553. Geothermal electricity generation production tax credit - tax preference performance statement - definitions - repeal.**

(1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES

EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED IN THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS AND TO PROVIDE A REDUCTION IN INCOME TAX LIABILITY FOR CERTAIN BUSINESSES OR INDIVIDUALS BY PROVIDING A FINANCIAL INCENTIVE FOR PRODUCTION OF GEOTHERMAL ELECTRICITY GENERATION AND RELATED INFRASTRUCTURE.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE INFORMATION REQUIRED TO BE MAINTAINED BY AND REPORTED TO THE STATE AUDITOR BY THE OFFICE PURSUANT TO SUBSECTION (4)(b)(I) OF THIS SECTION AND BASED ON THE NUMBER AND VALUE OF THE CREDITS CLAIMED.

(2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101.

(b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(c) "QUALIFIED ENTITY" MEANS A PERSON ENGAGED IN A TRADE OR BUSINESS THAT IS SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22 OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE THAT IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1), EITHER OF WHICH PRODUCES ELECTRICITY DERIVED FROM GEOTHERMAL ENERGY FOR SALE OR FOR THE PERSON'S OR POLITICAL SUBDIVISION'S OWN USE.

(3) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, A QUALIFIED ENTITY IS ALLOWED A CREDIT AGAINST THE INCOME TAXES IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT EQUAL TO THREE ONE-THOUSANDTHS OF A DOLLAR PER KILOWATT HOUR OF GEOTHERMAL ELECTRICITY THAT IS PRODUCED BY THE QUALIFIED ENTITY IN THE STATE IN THE TAX YEAR. IN ORDER TO CLAIM THE CREDIT, THE QUALIFIED ENTITY SHALL APPLY FOR AND RECEIVE A TAX CREDIT CERTIFICATE FROM THE OFFICE PURSUANT TO SUBSECTION (4) OF THIS SECTION; EXCEPT THAT THE OFFICE MAY NOT ISSUE A TAX CREDIT

CERTIFICATE TO A QUALIFIED ENTITY TOTALING MORE THAN ONE MILLION DOLLARS PER INCOME TAX YEAR.

(4) (a) A QUALIFIED ENTITY SHALL SUBMIT AN APPLICATION TO THE OFFICE FOR A TAX CREDIT CERTIFICATE TO CLAIM THE TAX CREDIT ALLOWED BY THIS SECTION ON A FORM AND IN A MANNER PRESCRIBED BY THE OFFICE. THE APPLICATION MUST INCLUDE SUFFICIENT INFORMATION TO ALLOW THE OFFICE TO DETERMINE THAT THE APPLICANT IS A QUALIFIED ENTITY AND TO CERTIFY THE AMOUNT OF THE TAX CREDIT FOR WHICH THE TAX CREDIT CERTIFICATE IS APPLIED.

(b) (I) THE OFFICE SHALL MAINTAIN A DATABASE OF ANY INFORMATION NECESSARY TO EVALUATE THE EFFECTIVENESS OF THE TAX CREDIT ALLOWED BY THIS SECTION IN MEETING THE PURPOSE SET FORTH IN SUBSECTION (1)(a) OF THIS SECTION, AND SHALL PROVIDE SUCH INFORMATION, AND ANY OTHER INFORMATION THAT MAY BE NEEDED, IF AVAILABLE, TO THE STATE AUDITOR AS PART OF THE STATE AUDITOR'S EVALUATION OF THIS TAX EXPENDITURE PURSUANT TO SECTION 39-21-305.

(II) THE OFFICE SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT TO PROCESS RETURNS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS SECTION, PROVIDE THE DEPARTMENT WITH AN ELECTRONIC REPORT OF EACH QUALIFIED ENTITY TO WHICH THE OFFICE ISSUES A TAX CREDIT CERTIFICATE FOR THE PRECEDING TAX YEAR THAT INCLUDES THE FOLLOWING INFORMATION:

(A) THE TAXPAYER'S NAME;

(B) THE AMOUNT OF THE CREDIT; AND

(C) THE TAXPAYER'S SOCIAL SECURITY NUMBER OR THE TAXPAYER'S COLORADO ACCOUNT NUMBER AND FEDERAL EMPLOYER IDENTIFICATION NUMBER.

(5) IN ORDER TO CLAIM THE CREDIT AUTHORIZED BY THIS SECTION, THE QUALIFIED ENTITY SHALL FILE THE TAX CREDIT CERTIFICATE WITH THE QUALIFIED ENTITY'S STATE INCOME TAX RETURN AND, IF THE QUALIFIED ENTITY IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1), THE QUALIFIED ENTITY SHALL FILE A RETURN PURSUANT TO SECTION 39-22-601 (7)(b). THE AMOUNT OF THE CREDIT THAT THE QUALIFIED ENTITY MAY

CLAIM PURSUANT TO THIS SECTION IS THE AMOUNT STATED ON THE TAX CREDIT CERTIFICATE.

(6) A QUALIFIED ENTITY THAT CLAIMS THE CREDIT ALLOWED BY THIS SECTION MAY NOT CLAIM THE CREDIT ALLOWED BY SECTION 39-30-104 FOR THE SAME PROJECT.

(7) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE QUALIFIED ENTITY FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND MUST BE REFUNDED TO THE QUALIFIED ENTITY.

(8) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2038.

**SECTION 8.** In Colorado Revised Statutes, add 39-22-554 as follows:

**39-22-554. Heat pump technology and thermal energy network tax credit - tax preference performance statement - definitions - repeal.**

(1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED IN THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS AND TO PROVIDE A REDUCTION IN INCOME TAX LIABILITY FOR CERTAIN BUSINESSES OR INDIVIDUALS BY PROVIDING A FINANCIAL INCENTIVE FOR THE INSTALLATION OF HEAT PUMP TECHNOLOGY AND THE USE OF HEAT PUMP TECHNOLOGY AND THERMAL ENERGY NETWORKS.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE NUMBER AND VALUE OF THE CREDITS CLAIMED.

(2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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



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

(B) HAS A VARIABLE SPEED COMPRESSOR; AND

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

(II) "AIR-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE SUPPLEMENTAL HEAT SO LONG AS:

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

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

(III) "AIR-SOURCE HEAT PUMP SYSTEM" INCLUDES MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION OF AN AIR-SOURCE HEAT PUMP, INCLUDING AN UPGRADED ELECTRICAL PANEL IF NECESSARY.

(b) "APPLICABLE PERCENTAGE" MEANS A PERCENTAGE ANNUALLY ESTABLISHED BY THE OFFICE AS SPECIFIED IN SUBSECTION (4) OF THIS SECTION.

(c) (I) "CAMPUS" MEANS A COLLECTION OF TWO OR MORE BUILDINGS THAT ARE OWNED AND OPERATED BY THE SAME PERSON, THAT HAVE A SHARED PURPOSE AND FUNCTION AS A SINGLE PROPERTY, THAT DO NOT LEASE SPACE TO TENANTS, AND THAT DO NOT PROVIDE ENERGY OR HEAT SERVICES FOR A FEE.

(II) "CAMPUS" INCLUDES TWO OR MORE OF THE BUILDINGS THAT COMPRISE THE CAPITOL COMPLEX, AS DEFINED IN SECTION 24-82-101 (3)(f).

(d) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101.

(e) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(f) "ELIGIBLE TAXPAYER" MEANS A TAXPAYER THAT MEETS THE REQUIREMENTS FOR AND IS INCLUDED ON THE LIST OF ELIGIBLE TAXPAYERS DESCRIBED IN SUBSECTION (5) OF THIS SECTION.

(g) (I) "GROUND-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM THAT:

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

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

(C) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MG1-1993 PUBLICATION; AND

(D) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM REQUIREMENTS.

(II) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE SUPPLEMENTAL HEAT SO LONG AS:

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

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

(III) "GROUND-SOURCE HEAT PUMP SYSTEM" INCLUDES MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION OF A GROUND-SOURCE HEAT PUMP, INCLUDING AN UPGRADED ELECTRICAL PANEL IF NECESSARY.

(IV) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A HEAT EXCHANGER FOR WATER HEATING.

(h) "HEAT PUMP TECHNOLOGY" MEANS AN AIR-SOURCE HEAT PUMP

SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT PUMP SYSTEM, VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM, ANY COMBINATION OF THESE SYSTEMS, OR A HEAT PUMP WATER HEATER.

(i) (I) "HEAT PUMP WATER HEATER" MEANS AN ELECTRIC WATER HEATER THAT USES HEAT PUMP TECHNOLOGY TO TRANSFER HEAT FROM THE SURROUNDING AIR TO WATER IN A TANK AND THAT IS CERTIFIED PURSUANT TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S ENERGY STAR PROGRAM.

(II) "HEAT PUMP WATER HEATER" MAY INCLUDE:

(A) AN ELECTRIC RESISTANCE HEATING ELEMENT; AND

(B) MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION OF A HEAT PUMP WATER HEATER, INCLUDING AN UPGRADED ELECTRICAL PANEL IF NECESSARY.

(j) "LIST" MEANS THE LIST OF ELIGIBLE TAXPAYERS CREATED BY THE OFFICE AS SPECIFIED IN SUBSECTION (5) OF THIS SECTION.

(k) "MULTIFAMILY PROPERTY" MEANS A BUILDING WITH MULTIPLE SEPARATE HOUSING UNITS FOR RESIDENTIAL INHABITANTS INCLUDING A RESIDENTIAL BUILDING THAT IS A DUPLEX, TRIPLEX, OR MULTI-STRUCTURE OF FOUR OR MORE UNITS.

(l) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22 OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE THAT IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1).

(m) (I) "THERMAL ENERGY" MEANS PIPED, NONCOMBUSTIBLE FLUIDS USED FOR ADDING OR REMOVING HEAT FROM BUILDINGS FOR THE PURPOSE OF EFFICIENT BUILDING TEMPERATURE CONTROL AND DOMESTIC HOT WATER, INCLUDING SPACE HEATING AND COOLING AND REFRIGERATION.

(II) "THERMAL ENERGY" INCLUDES METHODS OF EXCHANGING THE PIPED, NONCOMBUSTIBLE FLUIDS THROUGH THE GROUND, WASTEWATER TREATMENT FACILITIES, OR OTHER SOURCES THAT ACHIEVE DESIRED FLUID TEMPERATURES; EXCEPT THAT ANY SOURCE OF THERMAL ENERGY FOR THIS PURPOSE MUST:

(A) NOT CAUSE INCREMENTAL GREENHOUSE GAS EMISSIONS OR RELY ON INCREASED, LONG-TERM COMBUSTION OF FOSSIL FUELS; AND

(B) BE EVALUATED BY THE OFFICE TO PROTECT AGAINST INCREASED EMISSIONS OF HARMFUL CO-POLLUTANTS, NEGATIVE IMPACTS TO COMMUNITIES INCLUDING TO DISPROPORTIONATELY IMPACTED COMMUNITIES, AS DEFINED IN SECTION 24-4-109 (2)(b)(II), AND THE RISK OF STRANDED ASSETS, IF THE THERMAL ENERGY IS FROM ANY INDUSTRIAL SOURCE INCLUDING A SYSTEM FOR WHICH THE PRIMARY PURPOSE IS TO GENERATE ELECTRICITY, INCLUDING ANY PROCESS INVOLVING ENGINE-DRIVEN GENERATION.

(n) "THERMAL ENERGY NETWORK":

(I) MEANS ALL REAL ESTATE, FIXTURES, AND PERSONAL PROPERTY THAT ARE OPERATED, OWNED, USED, OR INTENDED TO BE USED FOR, IN CONNECTION WITH OR TO FACILITATE, A DISTRIBUTION INFRASTRUCTURE PROJECT THAT SUPPLIES THERMAL ENERGY TO TWO OR MORE BUILDINGS THAT ARE NOT A CAMPUS AND THAT ASSISTS IN REDUCING GREENHOUSE GAS EMISSIONS IN THE STATE;

(II) CONSISTS OF PIPE LOOPS BETWEEN MULTIPLE BUILDINGS AND ENERGY SOURCES CARRYING PIPED, NONCOMBUSTIBLE FLUIDS AT THE DESIRED THERMAL TEMPERATURE;

(III) INCLUDES A NETWORK THAT CAN BE USED FOR HEATING, COOLING, AND OTHER BUILDING SERVICES; AND

(IV) MAY ALSO BE KNOWN AS A GEOTHERMAL EXCHANGE DISTRICT, NETWORKED GEOTHERMAL SYSTEM, GEOEXCHANGE SYSTEM, GEOGRID SYSTEM, COMMUNITY GEOTHERMAL HEATING AND COOLING DISTRICT, OR GEOTHERMAL HEATING DISTRICT.

(o) "THERMAL ENERGY SYSTEM" INCLUDES A GEOTHERMAL SYSTEM OR OTHER METHOD OF EXCHANGING THE PIPED, NONCOMBUSTIBLE FLUIDS THROUGH THE GROUND, WASTEWATER TREATMENT FACILITIES, OR OTHER SOURCES OF THERMAL ENERGY THAT ACHIEVE DESIRED FLUID TEMPERATURES.

(p) (I) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" MEANS

A SYSTEM THAT:

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

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

(C) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MGI-1993 PUBLICATION; AND

(D) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND WASTEWATER SYSTEM REQUIREMENTS.

(II) "VARIABLE REFRIGERANT FLOW SYSTEM" MAY INCLUDE SUPPLEMENTAL HEAT SO LONG AS:

(A) THE VARIABLE REFRIGERANT FLOW SYSTEM IS USED AS THE PRIMARY SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT LEAST EIGHTY PERCENT OF THE TOTAL ANNUAL HEATING FOR THE BUILDING; AND

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

(III) "VARIABLE REFRIGERANT FLOW SYSTEM" INCLUDES MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION OF A VARIABLE REFRIGERANT FLOW SYSTEM.

(q) (I) "WATER-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM THAT:

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

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

(C) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MG1-1993 PUBLICATION; AND

(D) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND WASTEWATER SYSTEM REQUIREMENTS.

(II) "WATER-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE SUPPLEMENTAL HEAT SO LONG AS:

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

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

(III) "WATER-SOURCE HEAT PUMP SYSTEM" INCLUDES MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION OF A WATER-SOURCE HEAT PUMP.

(3)(a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, AN ELIGIBLE TAXPAYER THAT INSTALLS HEAT PUMP TECHNOLOGY IN A BUILDING IN THE STATE, ON A CAMPUS IN THE STATE, OR DEVELOPS, THROUGH PURCHASE AND INSTALLATION OF NECESSARY EQUIPMENT, A THERMAL ENERGY NETWORK IN THE STATE IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED UNDER THIS ARTICLE 22 IN AN AMOUNT SET FORTH IN SUBSECTION (3)(c) OF THIS SECTION IN THE TAX YEAR THAT THE HEAT PUMP TECHNOLOGY OR THERMAL ENERGY NETWORK IS PLACED INTO SERVICE.

(b) IN ORDER TO QUALIFY FOR THE TAX CREDIT ALLOWED UNDER THIS SECTION THE ELIGIBLE TAXPAYER SHALL PROVIDE A DISCOUNT FROM THE AMOUNT CHARGED FOR THE INSTALLATION OF HEAT PUMP TECHNOLOGY OR A THERMAL ENERGY NETWORK IN AN AMOUNT EQUAL TO THE AMOUNT OF THE CREDIT SET FORTH IN SUBSECTION (3)(c) OF THIS SECTION MINUS THE APPLICABLE PERCENTAGE OF THE CREDIT, AND SHALL SHOW THE DISCOUNT AS A SEPARATE ITEM ON THE RECEIPT OR INVOICE; EXCEPT THAT THE

REQUIREMENT IN THIS SUBSECTION (3)(b) DOES NOT APPLY TO AN ELIGIBLE TAXPAYER WHO INSTALLS THEIR OWN HEAT PUMP TECHNOLOGY OR THERMAL ENERGY NETWORK.

(c) SUBJECT TO THE MODIFICATIONS SET FORTH IN SUBSECTION (3)(d) OF THIS SECTION AND THE ANNUAL REVIEW REQUIRED PURSUANT TO SUBSECTION (3)(e) OF THIS SECTION AND EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3)(f) OF THIS SECTION, THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS CALCULATED AS FOLLOWS:

(I) FOR THE INSTALLATION OF AN AIR-SOURCE HEAT PUMP SYSTEM OR A VARIABLE REFRIGERANT FLOW HEAT SYSTEM:

(A) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2026, ONE THOUSAND FIVE HUNDRED DOLLARS;

(B) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2029, ONE THOUSAND DOLLARS; AND

(C) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2029, BUT BEFORE JANUARY 1, 2033, FIVE HUNDRED DOLLARS;

(II) FOR THE INSTALLATION OF A GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT PUMP SYSTEM, A COMBINED AIR-SOURCE AND GROUND-SOURCE HEAT PUMP SYSTEM, A COMBINED WATER-SOURCE AND GROUND-SOURCE HEAT PUMP SYSTEM, A COMBINED VARIABLE REFRIGERANT FLOW AND GROUND-SOURCE HEAT PUMP SYSTEM, OR A COMBINED VARIABLE REFRIGERANT FLOW AND WATER-SOURCE HEAT PUMP SYSTEM:

(A) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2026, THREE THOUSAND DOLLARS;

(B) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2029, TWO THOUSAND DOLLARS; AND

(C) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2029, BUT BEFORE JANUARY 1, 2033, ONE THOUSAND DOLLARS; AND

(III) FOR THE INSTALLATION OF A HEAT PUMP WATER HEATER:

(A) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2026, FIVE HUNDRED DOLLARS; AND

(B) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2033, TWO HUNDRED FIFTY DOLLARS.

(d) NOTWITHSTANDING THE AMOUNTS SET FORTH IN SUBSECTION (3)(c) OF THIS SECTION, THE AMOUNT OF THE CREDIT ALLOWED BY THIS SECTION MAY BE MODIFIED AS FOLLOWS:

(I) FOR HEAT PUMP TECHNOLOGY INSTALLED AT A MULTIFAMILY PROPERTY, UNLESS THE HEAT PUMP TECHNOLOGY IS INSTALLED FOR AN INDIVIDUAL UNIT BY THE ELIGIBLE TAXPAYER FOR USE BY THE OCCUPANT OF THE INDIVIDUAL UNIT, THE AMOUNT OF THE CREDIT IS THE AMOUNT OF THE CREDIT PERMITTED PURSUANT TO SUBSECTION (3)(c) OF THIS SECTION MULTIPLIED BY THE NUMBER OF UNITS IN THE MULTIFAMILY PROPERTY THAT WILL UTILIZE THE HEAT PUMP TECHNOLOGY;

(II) FOR A NONRESIDENTIAL BUILDING, THE AMOUNT OF THE CREDIT IS THE AMOUNT OF THE CREDIT PERMITTED PURSUANT TO SUBSECTION (3)(c) OF THIS SECTION MULTIPLIED BY THE NUMBER OF INCREMENTS OF FOUR TONS OF HEATING CAPACITY UP TO A MAXIMUM OF ONE HUNDRED TONS; AND

(III) FOR A THERMAL ENERGY NETWORK OR FOR A CAMPUS, THE AMOUNT OF THE CREDIT IS THE AMOUNT OF THE CREDIT PERMITTED PURSUANT TO SUBSECTION (3)(c) OF THIS SECTION MULTIPLIED BY THE TOTAL NUMBER OF RESIDENTIAL BUILDINGS AND MULTIFAMILY PROPERTY UNITS NETWORKED IN A SINGLE SYSTEM, PLUS THE CREDIT DETERMINED FOR EACH NONRESIDENTIAL BUILDING NETWORKED IN THE SYSTEM PURSUANT TO SUBSECTION (3)(d)(II) OF THIS SECTION.

(e) THE OFFICE SHALL ANNUALLY REVIEW AND EVALUATE THE EFFECTIVENESS OF THE TAX CREDITS AND MAY MODIFY THE AMOUNTS SET FORTH IN SUBSECTION (3)(c) OF THIS SECTION.

(f) IF THE JUNE 2025 REVENUE FORECAST, AND EACH JUNE REVENUE FORECAST THROUGH THE JUNE 2031 REVENUE FORECAST AS PREPARED BY EITHER LEGISLATIVE COUNCIL STAFF OR THE OFFICE OF STATE PLANNING AND BUDGETING, PROJECTS THAT STATE REVENUES, AS DEFINED IN SECTION 24-77-103.6 (6)(c), WILL NOT INCREASE BY AT LEAST FOUR PERCENT FOR



THE NEXT FISCAL YEAR, THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SUBSECTION (3)(c)(I)(B), (3)(c)(I)(C), (3)(c)(II)(B), (3)(c)(II)(C), OR (3)(c)(III)(B) OF THIS SECTION, AS MAY BE MODIFIED BY SUBSECTIONS (3)(d) AND (3)(e) OF THIS SECTION, FOR ANY TAX YEAR COMMENCING IN THE CALENDAR YEAR THAT BEGINS DURING SAID NEXT FISCAL YEAR IS REDUCED BY FIFTY PERCENT IF THE HEAT PUMP TECHNOLOGY IS INSTALLED AT AN EXISTING RESIDENTIAL OR NONRESIDENTIAL BUILDING; EXCEPT THAT IF THE AMOUNT OF THE REDUCED CREDIT IS EQUAL TO OR LESS THAN TWO HUNDRED FIFTY DOLLARS, THEN NO CREDIT IS AVAILABLE FOR SUCH A TAX YEAR.

(4) AN ELIGIBLE TAXPAYER MAY RETAIN AN APPLICABLE PERCENTAGE OF THE AMOUNT OF THE TAX CREDIT ALLOWED UNDER SUBSECTION (3)(c) OF THIS SECTION TO SUPPORT THE INDUSTRY-WIDE ADOPTION AND DEPLOYMENT OF HEAT PUMP TECHNOLOGIES IN THE STATE. THE OFFICE SHALL ANNUALLY DETERMINE THE APPLICABLE PERCENTAGE, WHICH MUST BE THE SAME FOR EACH ELIGIBLE TAXPAYER, PURSUANT TO GUIDELINES ESTABLISHED BY THE OFFICE. THE OFFICE SHALL MAINTAIN THE CURRENT APPLICABLE PERCENTAGE ON ITS WEBSITE AND SHALL PROVIDE THE APPLICABLE PERCENTAGE IN WRITING TO THE DEPARTMENT NO LATER THAN DECEMBER 31, 2023, AND EACH DECEMBER 31 THEREAFTER THROUGH DECEMBER 31, 2031.

(5) (a) THE OFFICE SHALL CREATE, AND UPDATE AT LEAST ANNUALLY, A LIST CONTAINING THE NAMES AND CONTACT INFORMATION OF ELIGIBLE TAXPAYERS. TO BECOME AN ELIGIBLE TAXPAYER, AND BE INCLUDED ON THE LIST DESCRIBED IN THIS SUBSECTION (5), A TAXPAYER SHALL DEMONSTRATE TO THE OFFICE THAT THE TAXPAYER AND ANY OF ITS EMPLOYEES WHO WILL BE INSTALLING HEAT PUMP TECHNOLOGY OR THERMAL ENERGY NETWORKS:

(I) ARE LICENSED AS REQUIRED BY THE STATE;

(II) ARE KNOWLEDGEABLE OF THE RELEVANT SYSTEM REQUIREMENTS SET FORTH IN SUBSECTIONS (2)(a), (2)(g), (2)(h), (2)(i), (2)(m), (2)(n), (2)(p), and (2)(q) OF THIS SECTION;

(III) WILL INSTALL HEAT PUMP TECHNOLOGY AND THERMAL ENERGY NETWORKS IN ACCORDANCE WITH THE NATIONAL ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;

(IV) WILL, WHERE APPLICABLE, ENSURE THAT ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS CERTIFIED TO THE NITC R78 BRAZING PROCEDURE AND TRAINED IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS; AND

(V) WILL MEET ANY ADDITIONAL STANDARDS ESTABLISHED BY THE OFFICE IN ITS GUIDELINES, INCLUDING, IF APPLICABLE, THE 2021 INTERNATIONAL ENERGY CONSERVATION CODE.

(b) THE OFFICE SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT TO PROCESS RETURNS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS SECTION, ANNUALLY PROVIDE A SECURE ELECTRONIC COPY OF THE LIST DESCRIBED IN SUBSECTION (5)(a) OF THIS SECTION TO THE DEPARTMENT THAT INCLUDES THE SOCIAL SECURITY NUMBER OR COLORADO ACCOUNT NUMBER AND FEDERAL EMPLOYER IDENTIFICATION NUMBER OF EACH ELIGIBLE TAXPAYER.

(c) THE OFFICE SHALL MAINTAIN A CURRENT COPY OF THE LIST ON ITS WEBSITE.

(d) (I) EVERY ELIGIBLE TAXPAYER SHALL KEEP AND MAINTAIN FOR A PERIOD OF FOUR YEARS SUCH BOOKS AND RECORDS AS MAY BE NECESSARY TO DETERMINE THAT:

(A) IT IS AN ELIGIBLE TAXPAYER;

(B) IT AND ANY OF ITS EMPLOYEES WHO WILL BE INSTALLING HEAT PUMP TECHNOLOGY OR THERMAL ENERGY NETWORKS MEET THE REQUIREMENTS DESCRIBED IN SUBSECTION (5)(a) OF THIS SECTION;

(C) THE CREDIT IT CLAIMED PURSUANT TO THIS SECTION WAS FOR THE INSTALLATION OF HEAT PUMP TECHNOLOGY OR THERMAL ENERGY NETWORKS IN THIS STATE; AND

(D) THE AMOUNT OF THE CREDIT WAS PROPERLY CALCULATED UNDER SUBSECTION (3) OF THIS SECTION.

(II) (A) THE OFFICE SHALL ANNUALLY EXAMINE A SAMPLE OF THE ELIGIBLE TAXPAYERS ON THE LIST DESCRIBED IN THIS SUBSECTION (5) TO SUBSTANTIATE THAT THE ELIGIBLE TAXPAYERS ARE MEETING THE OFFICE'S

STANDARDS AND PROPERLY CLAIMING THE CREDIT ALLOWED BY THIS SECTION. EVERY ELIGIBLE TAXPAYER SHALL PRODUCE THE BOOKS AND RECORDS DESCRIBED IN SUBSECTION (5)(d)(I) OF THIS SECTION FOR EXAMINATION AT ANY TIME BY THE OFFICE.

(B) IF THE OFFICE DETERMINES THAT AN ELIGIBLE TAXPAYER IS NO LONGER MEETING THE STANDARDS, THE OFFICE SHALL NOTIFY THE TAXPAYER IN WRITING THAT THEY ARE NO LONGER ELIGIBLE, REMOVE THE INELIGIBLE TAXPAYER FROM THE LIST, UPDATE THE LIST ON ITS WEBSITE, AND PROMPTLY NOTIFY THE DEPARTMENT IN WRITING OF ITS DECISION.

(C) IF THE OFFICE DETERMINES THAT A TAXPAYER WAS NOT ELIGIBLE FOR ALL OR PART OF THE CREDIT CLAIMED, THE OFFICE SHALL NOTIFY THE DEPARTMENT IN WRITING OF ITS DECISION. THE DEPARTMENT SHALL ISSUE THE TAXPAYER A NOTICE OF DEFICIENCY FOR THE UNPAID TAX OWED, TOGETHER WITH APPLICABLE PENALTIES AND INTEREST, AND PROCEED TO COLLECT THE DEFICIENCY IN THE SAME MANNER AS OTHER TAX DEFICIENCIES.

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

(7) THE OFFICE MAY ESTABLISH GUIDELINES TO IMPLEMENT THIS SECTION. ALL GUIDELINES ESTABLISHED BY THE OFFICE MUST BE POSTED ON THE OFFICE'S WEBSITE.

(8) IF A CREDIT AUTHORIZED BY THIS SECTION EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE ELIGIBLE TAXPAYER FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND MUST BE REFUNDED TO THE ELIGIBLE TAXPAYER OR THE INSTALLER.

(9) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2038.

**SECTION 9.** In Colorado Revised Statutes, add 39-22-555 as follows:

**39-22-555. Electric bicycle tax credit - tax preference performance statement - definitions - repeal.** (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED IN THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS, SPECIFICALLY THE PURCHASE OF ELECTRIC BICYCLES, AND TO PROVIDE TAX RELIEF TO CERTAIN BUSINESSES, SPECIFICALLY RETAILERS, THAT PROVIDE A DISCOUNT ON THE SALE OF AN ELECTRIC BICYCLE.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE INFORMATION REQUIRED TO BE MAINTAINED BY AND REPORTED TO THE STATE AUDITOR BY THE OFFICE AND THE DEPARTMENT PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION.

(2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101.

(b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(c) "ELECTRIC BICYCLE" HAS THE SAME MEANING AS "ELECTRICAL ASSISTED BICYCLE" AS SET FORTH IN SECTION 42-1-102 (28.5). "ELECTRIC BICYCLE" INCLUDES AN ELECTRIC ADAPTIVE BICYCLE.

(d) "PURCHASE PRICE" HAS THE SAME THE MEANING AS SET FORTH IN SECTION 39-26-102 (7).

(e) "QUALIFIED ELECTRIC BICYCLE" MEANS AN ELECTRIC BICYCLE THAT SATISFIES THE STANDARDS FOR APPROVAL DEVELOPED BY THE COLORADO ENERGY OFFICE PURSUANT TO SUBSECTION (4)(a)(I) OF THIS SECTION.

(f) "QUALIFIED PURCHASER" MEANS A PERSON WHO IS A RESIDENT OF

THE STATE AND WHO HAS NOT PREVIOUSLY PURCHASED A QUALIFIED ELECTRIC BICYCLE THAT WAS DISCOUNTED BY A QUALIFIED RETAILER CLAIMING A TAX CREDIT ALLOWED BY THIS SECTION FOR THE RETAIL SALE IN THE SAME INCOME TAX YEAR.

(g) "QUALIFIED RETAILER" MEANS A RETAILER THAT SELLS QUALIFIED ELECTRIC BICYCLES AND:

(I) HOLDS A STATE SALES TAX LICENSE;

(II) HAS TIMELY FILED A MONTHLY SALES TAX RETURN SHOWING A TAX LIABILITY FOR AT LEAST TWELVE MONTHS;

(III) HAS PAID THE TAXES DUE ON THE MONTHLY SALES TAX RETURN;  
AND

(IV) HAS REGISTERED WITH THE DEPARTMENT PURSUANT TO SUBSECTION (3)(e)(III) OF THIS SECTION.

(h) "RETAILER" HAS THE SAME MEANING AS SET FORTH IN SECTION 39-26-102 (8).

(3) (a) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6) OF THIS SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, A QUALIFIED RETAILER IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED PURSUANT TO THIS ARTICLE 22 IN AN AMOUNT EQUAL TO FIVE HUNDRED DOLLARS FOR EACH RETAIL SALE OF NEW QUALIFIED ELECTRIC BICYCLES SOLD IN THE STATE DURING THE INCOME TAX YEAR TO A QUALIFIED PURCHASER; EXCEPT THAT FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2024, THE CREDIT IS ALLOWED ONLY FOR RETAIL SALES MADE ON OR AFTER APRIL 1, 2024, BUT ON OR BEFORE DECEMBER 31, 2024.

(b) IN ORDER TO QUALIFY FOR THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION, THE QUALIFIED RETAILER SHALL PROVIDE TO THE QUALIFIED PURCHASER AT THE TIME OF THE RETAIL SALE OF THE NEW QUALIFIED ELECTRIC BICYCLE A DISCOUNT ON THE PURCHASE PRICE OF THE QUALIFIED ELECTRIC BICYCLE EQUAL TO THE LESSER OF FOUR HUNDRED FIFTY DOLLARS OR THE PURCHASE PRICE AND SHALL SHOW THE DISCOUNT AS A SEPARATE ITEM ON THE RECEIPT OR INVOICE PROVIDED TO THE QUALIFIED

PURCHASER. EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4)(a)(II) OF THIS SECTION, THE QUALIFIED RETAILER SHALL, AT THE TIME OF THE RETAIL SALE, COLLECT FROM A PURCHASER AN AFFIDAVIT ON FORMS PRESCRIBED BY THE OFFICE AFFIRMING THAT THE PURCHASER IS A QUALIFIED PURCHASER.

(c) TO DETERMINE WHETHER A QUALIFIED RETAILER SOLD NEW QUALIFIED ELECTRIC BICYCLES IN THE STATE, THE RULES SET FORTH IN SECTION 39-26-104 (3)(a) APPLY.

(d) THE QUALIFIED RETAILER MAY RETAIN FROM THE CREDIT ALLOWED IN THIS SECTION AN ADMINISTRATIVE FEE NOT TO EXCEED FIFTY DOLLARS FOR PROVIDING THE DISCOUNT.

(e) (I) THE QUALIFIED RETAILER SHALL ELECTRONICALLY SUBMIT A REPORT TO THE DEPARTMENT ON A QUARTERLY BASIS IN A FORM AND MANNER REQUIRED BY THE DEPARTMENT THAT DETAILS THE NUMBER OF NEW QUALIFIED ELECTRIC BICYCLES SOLD BY THE QUALIFIED RETAILER IN THE REPORTING PERIOD FOR WHICH THE QUALIFIED RETAILER PROVIDED A DISCOUNT AS DESCRIBED IN SUBSECTION (3)(b) OF THIS SECTION, AND THAT INCLUDES ANY OTHER INFORMATION THE EXECUTIVE DIRECTOR OF THE DEPARTMENT MAY REQUIRE. THE QUALIFIED RETAILER SHALL SUBMIT WITH THE QUARTERLY REPORT REQUIRED BY THIS SUBSECTION (3)(e)(I) THE AFFIDAVITS FROM QUALIFIED PURCHASERS THAT THE QUALIFIED RETAILER IS REQUIRED TO COLLECT PURSUANT TO SUBSECTION (3)(b) OF THIS SECTION AND THE OFFICE SHALL INSPECT THE AFFIDAVITS TO DETERMINE THAT RETAIL SALES HAVE BEEN MADE TO QUALIFIED PURCHASERS.

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, THE QUALIFIED RETAILER MAY ELECT ADVANCE PAYMENTS OF THE CREDIT ALLOWED PURSUANT TO THIS SECTION AS SPECIFIED IN SECTION 39-22-629.

(III) PRIOR TO SELLING A QUALIFIED ELECTRIC BICYCLE FOR WHICH A RETAILER INTENDS TO CLAIM A CREDIT PURSUANT TO THIS SECTION, THE RETAILER SHALL REGISTER AS A QUALIFIED RETAILER BY FILING WITH THE DEPARTMENT A REGISTRATION STATEMENT IN THE FORM AND MANNER PRESCRIBED BY THE DEPARTMENT.

(4) (a) (I) THE OFFICE SHALL DEVELOP STANDARDS FOR DETERMINING ALLOWABLE ELECTRIC BICYCLE MANUFACTURERS FOR

PURPOSES OF DETERMINING THE TYPE OF ELECTRIC BICYCLE THAT IS A QUALIFIED ELECTRIC BICYCLE ELIGIBLE FOR THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION. THE OFFICE SHALL CONSIDER THE DESIGN AND MANUFACTURE OF ALLOWABLE ELECTRIC BICYCLES AND CERTIFICATION OF ALLOWABLE ELECTRIC BICYCLES FOR COMPLIANCE WITH CONSENSUS SAFETY STANDARDS, SUCH AS THE ANSI/CAN/UL 2849 STANDARD FOR SAFETY FOR ELECTRICAL SYSTEMS FOR ELECTRIC BICYCLES OR SIMILAR, IN ORDER TO DETERMINE THAT AN ELECTRIC BICYCLE IS A QUALIFIED ELECTRIC BICYCLE. THE OFFICE MAY ANNUALLY REVIEW THE STANDARDS. THE STANDARDS MUST BE POSTED ON THE OFFICE'S WEBSITE.

(II) IF ON OR BEFORE JUNE 30, 2025, THE OFFICE DETERMINES, IN CONNECTION WITH ITS INSPECTION OF THE AFFIDAVITS REQUIRED PURSUANT TO SUBSECTION (3)(b) OF THIS SECTION, THAT A REGISTRATION PROCESS IS NEEDED AND WOULD BE COST EFFECTIVE IN CURTAILING FRAUD OR ABUSE RELATED TO CLAIMING THE CREDIT ALLOWED UNDER THIS SECTION, THE OFFICE SHALL DEVELOP A PROCESS IN LIEU OF THE AFFIDAVITS FOR PURCHASERS TO REGISTER AS QUALIFIED PURCHASERS, THROUGH THE OFFICE AND PRIOR TO PURCHASING A QUALIFIED ELECTRIC BICYCLE FROM A QUALIFIED RETAILER, BY AFFIRMING THE PURCHASER'S RESIDENCY AND THAT THE PURCHASER HAS NOT PREVIOUSLY PURCHASED A QUALIFIED ELECTRIC BICYCLE THAT WAS DISCOUNTED PURSUANT TO THIS SECTION IN THE SAME INCOME TAX YEAR. THE PROCESS MUST ALLOW FOR A QUALIFIED RETAILER TO ACCESS QUALIFIED PURCHASER INFORMATION IN ORDER TO CONFIRM A PURCHASER IS A QUALIFIED PURCHASER.

(b) PURSUANT TO SECTION 39-21-304 (3), AND FOR THE PURPOSE OF PROVIDING DATA THAT ALLOWS THE EFFECTIVENESS OF THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION TO BE MEASURED, THE DEPARTMENT, ON OR BEFORE JANUARY 1, 2025, AND ON OR BEFORE JANUARY 1 OF EACH YEAR THEREAFTER THROUGH JANUARY 1, 2034, SHALL PROVIDE TO THE STATE AUDITOR INFORMATION THAT DETAILS THE NUMBER OF SALES OF NEW QUALIFIED ELECTRIC BICYCLES FOR WHICH CREDITS ARE CLAIMED AS REPORTED BY TAXPAYERS CLAIMING THE CREDIT FOR CONSIDERATION DURING THE STATE AUDITOR'S EVALUATION OF THIS TAX EXPENDITURE PURSUANT TO SECTION 39-21-305.

(5) IF A CREDIT AUTHORIZED BY THIS SECTION EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE QUALIFIED RETAILER FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND MUST BE

REFUNDED TO THE QUALIFIED RETAILER.

(6) IF THE JUNE 2025 REVENUE FORECAST, AND EACH JUNE REVENUE FORECAST THROUGH THE JUNE 2031 REVENUE FORECAST AS PREPARED BY EITHER LEGISLATIVE COUNCIL STAFF OR THE OFFICE OF STATE PLANNING AND BUDGETING, PROJECTS THAT STATE REVENUES, AS DEFINED IN SECTION 24-77-103.6 (6)(c), WILL NOT INCREASE BY AT LEAST FOUR PERCENT FOR THE NEXT FISCAL YEAR, THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO THIS SECTION, THE DISCOUNT REQUIRED PURSUANT TO SUBSECTION (3)(b) OF THIS SECTION, AND THE ADMINISTRATIVE FEE ALLOWED PURSUANT TO SUBSECTION (3)(d) OF THIS SECTION FOR ANY TAX YEAR COMMENCING IN THE CALENDAR YEAR THAT BEGINS DURING SAID NEXT FISCAL YEAR, IS REDUCED BY FIFTY PERCENT.

(7) THE OFFICE SHALL PROVIDE TECHNICAL ASSISTANCE TO ENSURE THAT QUALIFIED RETAILERS HAVE ACCESS TO LOW-COST FINANCING TO SUPPORT THEM IN CLAIMING THE CREDIT ALLOWED UNDER THIS SECTION.

(8) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2038.

**SECTION 10.** In Colorado Revised Statutes, **add** 39-22-556 as follows:

**39-22-556. Tax credit for sustainable aviation fuel production facility - tax preference performance statement - definitions - repeal.**

(1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THIS TAX EXPENDITURE IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS, SPECIFICALLY THE CONSTRUCTION OF SUSTAINABLE AVIATION FUEL PRODUCTION FACILITIES IN THE STATE, BY PROVIDING TAX RELIEF FOR CERTAIN BUSINESSES AND INDIVIDUALS THAT CONSTRUCT OR OPERATE THESE FACILITIES IN THE STATE.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE INFORMATION REQUIRED BY AND REPORTED TO THE DEPARTMENT PURSUANT TO SUBSECTION (7) OF THIS SECTION.



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

(a) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101.

(b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(c) "QUALIFIED TAXPAYER" MEANS A TAXPAYER THAT IS AN AVIATION BUSINESS, A SUSTAINABLE AVIATION FUEL PRODUCER, OR AN AIRPORT.

(d) "SUSTAINABLE AVIATION FUEL" HAS THE SAME MEANING AS SET FORTH IN SECTION 40B(d) OF THE INTERNAL REVENUE CODE.

(e) "SUSTAINABLE AVIATION FUEL PRODUCTION FACILITY" MEANS:

(I) A FACILITY WHICH PRODUCES SUSTAINABLE AVIATION FUEL; OR

(II) A FACILITY DIRECTLY RELATED TO ENABLING THE PRODUCTION OR DISTRIBUTION OF SUSTAINABLE AVIATION FUEL AS DETERMINED UNDER THE STANDARDS ESTABLISHED BY THE OFFICE.

(f) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22.

(3) (a) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, A QUALIFIED TAXPAYER IS ALLOWED A CREDIT AGAINST THE INCOME TAX IMPOSED UNDER THIS ARTICLE 22 FOR AN AMOUNT OF THE ACTUAL COST PAID TO CONSTRUCT, RECONSTRUCT, OR ERECT A SUSTAINABLE AVIATION FUEL PRODUCTION FACILITY IN THE STATE EQUAL TO:

(I) THIRTY PERCENT FOR A FACILITY FOR WHICH CONSTRUCTION BEGINS ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2027;

(II) TWENTY-FOUR PERCENT FOR A FACILITY FOR WHICH CONSTRUCTION BEGINS ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2028;

(III) EIGHTEEN PERCENT FOR A FACILITY FOR WHICH CONSTRUCTION BEGINS ON OR AFTER JANUARY 1, 2028, BUT BEFORE JANUARY 1, 2029; AND

(IV) TWELVE PERCENT FOR A FACILITY FOR WHICH CONSTRUCTION BEGINS ON OR AFTER JANUARY 1, 2029, BUT BEFORE JANUARY 1, 2033.

(b) THE CREDIT ALLOWED BY SUBSECTION (3)(a) OF THIS SECTION IS ALLOWED FOR THE TAX YEAR IN WHICH THE SUSTAINABLE AVIATION FUEL PRODUCTION FACILITY IS PLACED IN SERVICE.

(4) (a) A QUALIFIED TAXPAYER SHALL SUBMIT AN APPLICATION TO THE OFFICE FOR A TAX CREDIT CERTIFICATE TO CLAIM THE CREDIT ALLOWED BY THIS SECTION ON A FORM AND IN A MANNER PRESCRIBED BY THE OFFICE. THE APPLICATION MUST INCLUDE INFORMATION TO ALLOW THE OFFICE TO MAKE A DETERMINATION THAT THE APPLICANT IS A QUALIFIED TAXPAYER AND THAT THE AMOUNT FOR WHICH THE TAX CREDIT CERTIFICATE IS APPLIED IS THE ACTUAL COST PAID TO CONSTRUCT, RECONSTRUCT, OR ERECT A SUSTAINABLE AVIATION FUEL PRODUCTION FACILITY IN THE STATE FOR WHICH A CREDIT IS ALLOWED BY THIS SECTION.

(b) THE AGGREGATE AMOUNT OF ALL TAX CREDIT CERTIFICATES ISSUED BY THE OFFICE PURSUANT TO THIS SUBSECTION (4) MUST NOT EXCEED ONE MILLION DOLLARS FOR THE 2024 INCOME TAX YEAR, TWO MILLION DOLLARS PER YEAR FOR THE 2025 AND 2026 INCOME TAX YEARS, AND THREE MILLION DOLLARS PER YEAR FOR INCOME TAX YEARS 2027 THROUGH 2032.

(c) THE OFFICE SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT TO PROCESS RETURNS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS SECTION, PROVIDE THE DEPARTMENT WITH AN ELECTRONIC REPORT OF EACH QUALIFIED TAXPAYER THAT THE OFFICE APPROVED FOR THE INCOME TAX CREDIT ALLOWED IN THIS SECTION FOR THE PRECEDING CALENDAR YEAR THAT INCLUDES THE FOLLOWING INFORMATION:

(I) THE TAXPAYER'S NAME;

(II) THE TAXPAYER'S SOCIAL SECURITY NUMBER OR THE TAXPAYER'S COLORADO ACCOUNT NUMBER AND FEDERAL EMPLOYER IDENTIFICATION NUMBER; AND

(III) THE AMOUNT OF THE TAX CREDIT CERTIFICATE.

(5) (a) THE OFFICE SHALL DEVELOP STANDARDS FOR THE APPROVAL OF QUALIFIED TAXPAYERS FOR WHICH A TAX CREDIT UNDER THIS SECTION IS ALLOWED.

(b) THE OFFICE SHALL DEVELOP STANDARDS FOR THE APPROVAL OF THE CONSTRUCTION, RECONSTRUCTION, OR ERECTION OF A SUSTAINABLE AVIATION FUEL PRODUCTION FACILITY IN THE STATE AND FOR REVIEWING THE COST CERTIFICATION FOR THE COSTS RELATED TO THE CONSTRUCTION, RECONSTRUCTION, OR ERECTION OF THE SUSTAINABLE AVIATION FUEL PRODUCTION FACILITY. IN THE STANDARDS, THE OFFICE SHALL DETERMINE THE MANNER IN WHICH A TAXPAYER WILL DEMONSTRATE ACTUAL COSTS FOR PURPOSES OF CALCULATING THE AMOUNT OF THE TAX CREDIT SET FORTH IN THE TAX CREDIT CERTIFICATE ISSUED BY THE OFFICE TO THE TAXPAYER; EXCEPT THAT ACTUAL COSTS MUST NOT INCLUDE LEGAL FEES, LAND COST, OR DESIGN COSTS.

(c) THE STANDARDS DEVELOPED BY THE OFFICE UNDER THIS SUBSECTION (5) MUST BE POSTED ON THE OFFICE'S WEBSITE.

(6) (a) A QUALIFIED TAXPAYER SHALL SUBMIT A REPORT TO THE OFFICE BY THE END OF THE FIRST MONTH AFTER THE END OF ANY INCOME TAX YEAR IN WHICH THE QUALIFIED TAXPAYER RECEIVED A TAX CREDIT UNDER THIS SECTION AND SHALL ANNUALLY SUBMIT A REPORT FOR THREE YEARS THEREAFTER REPORTING SUSTAINABLE AVIATION FUEL PRODUCTION AND TOTAL FUEL PRODUCTION FOR THE FACILITY.

(b) IF THE SUSTAINABLE AVIATION FUEL PRODUCTION OF A FACILITY FOR WHICH A QUALIFIED TAXPAYER WAS ALLOWED A CREDIT UNDER THIS SECTION COMPRISES LESS THAN SIXTY PERCENT OF THE TOTAL FUEL PRODUCTION OF THE FACILITY IN ANY OF THE THREE TAXABLE YEARS IMMEDIATELY FOLLOWING THE TAXABLE YEAR IN WHICH THE FACILITY WAS PLACED IN SERVICE, THE OFFICE SHALL NOTIFY THE DEPARTMENT IN WRITING THAT THE CREDIT ALLOWED IN THIS SECTION MUST BE DISALLOWED FOR THAT QUALIFIED TAXPAYER. THE QUALIFIED TAXPAYER SHALL ADD THE AMOUNT OF THE DISALLOWED CREDIT TO ITS RETURN AS A RECAPTURED CREDIT FOR THE TAX YEAR IN WHICH THE CREDIT IS DISALLOWED PURSUANT TO THIS SUBSECTION (6).

(7) NOTWITHSTANDING THE REQUIREMENT IN SECTION 24-1-136 (11)(a)(I), FOR THE PURPOSE OF PROVIDING DATA THAT ALLOWS THE

GENERAL ASSEMBLY AND THE STATE AUDITOR TO MEASURE THE EFFECTIVENESS OF THE CREDIT CREATED IN SUBSECTION (3) OF THIS SECTION PURSUANT TO SECTION 39-21-304 (3), THE OFFICE ON OR BEFORE JANUARY 1, 2026, AND ON OR BEFORE JANUARY 1 OF EACH YEAR THEREAFTER UNTIL JANUARY 1, 2034, SHALL SUBMIT TO THE GENERAL ASSEMBLY AND THE STATE AUDITOR A REPORT DETAILING THE CONSTRUCTION, RECONSTRUCTION, AND ERECTION OF SUSTAINABLE AVIATION FUEL PRODUCTION FACILITIES AS REPORTED BY QUALIFIED TAXPAYERS CLAIMING THE CREDIT IN THIS SECTION. THE TAX CREDIT MEETS ITS PURPOSE IF THE CONSTRUCTION, RECONSTRUCTION, AND ERECTION OF SUSTAINABLE AVIATION FUEL PRODUCTION FACILITIES IN THE STATE INCREASE SIGNIFICANTLY IN TAX YEARS FOR WHICH THE CREDIT IS ALLOWED.

(8) IF THE CREDIT AUTHORIZED BY THIS SECTION EXCEEDS THE INCOME TAX DUE ON THE INCOME OF THE QUALIFIED TAXPAYER FOR THE TAXABLE YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND MUST BE REFUNDED TO THE QUALIFIED TAXPAYER.

(9) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2038.

**SECTION 11.** In Colorado Revised Statutes, add 39-22-629 as follows:

**39-22-629. Advance payments of income tax credits - definitions.**

(1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "APPLICABLE CREDIT" MEANS THE CREDITS ALLOWED IN SECTIONS 39-22-516.7, 39-22-516.8, AND 39-22-555.

(b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(c) "TAXPAYER" MEANS THE PERSON AUTHORIZED TO ELECT ADVANCED PAYMENTS OF AN APPLICABLE CREDIT.

(2) A TAXPAYER MAY ELECT TO RECEIVE ADVANCE PAYMENTS FOR APPLICABLE CREDITS AS FOLLOWS:

(a) THE TAXPAYER SHALL ANNUALLY REGISTER WITH THE DEPARTMENT FOR ADVANCE PAYMENTS OF ONE OR MORE APPLICABLE CREDITS NO LATER THAN THIRTY DAYS BEFORE THE DUE DATE OF THE FIRST

QUARTERLY REPORT FILED BY THE TAXPAYER UNDER SUBSECTION (2)(b) OF THIS SECTION, IN A FORM AND MANNER PRESCRIBED BY THE DEPARTMENT; AND

(b) (I) THE TAXPAYER SHALL ELECTRONICALLY FILE QUARTERLY REPORTS IN A FORM AND MANNER PRESCRIBED BY THE DEPARTMENT NO LATER THAN APRIL 15, JUNE 15, SEPTEMBER 15, AND DECEMBER 15 OF EACH TAX YEAR FOR WHICH THE TAXPAYER REGISTERS FOR ADVANCE PAYMENTS; EXCEPT THAT:

(A) FOR A TAXPAYER WITH A TAXABLE YEAR BEGINNING ON ANY DATE OTHER THAN JANUARY 1, THE CORRESPONDING MONTHS SHALL BE SUBSTITUTED FOR THE MONTHS SPECIFIED IN SUBSECTION (2)(b)(I) OF THIS SECTION.

(B) FOR A TAXPAYER WITH A TAXABLE YEAR LESS THAN TWELVE MONTHS, THE DUE DATES SHALL BE DETERMINED IN ACCORDANCE WITH RULES PRESCRIBED BY THE DEPARTMENT.

(II) THE QUARTERLY REPORT MUST INCLUDE THE CUMULATIVE TOTAL OF APPLICABLE CREDIT THAT THE TAXPAYER IS SEEKING ADVANCE PAYMENT FOR IN THE QUARTER AND ANY INFORMATION REQUIRED TO BE INCLUDED IN THE QUARTERLY REPORT AS SPECIFIED IN THE STATUTE UNDER WHICH THE APPLICABLE CREDIT IS ALLOWED.

(3) AFTER RECEIPT OF A COMPLETED QUARTERLY REPORT, THE DEPARTMENT SHALL MAKE AN ADVANCE PAYMENT OF THE APPLICABLE CREDIT TO THE TAXPAYER IN THE FORM OF A REFUND OF THE TAXPAYER'S OVERPAYMENT OF TAX IMPOSED UNDER THIS ARTICLE 22; EXCEPT THAT THE ADVANCE PAYMENT DOES NOT ACCRUE INTEREST PURSUANT TO SECTION 39-21-108 (2) BUT IS SUBJECT TO INTERCEPT FOR THE TAXPAYER'S UNPAID BALANCE OR UNPAID DEBTS, IF ANY, PURSUANT TO SECTION 39-21-108 (3).

(4) THE TAXPAYER SHALL REDUCE THE AMOUNT OF AN APPLICABLE CREDIT CLAIMED BY THE TAXPAYER FOR ANY TAXABLE YEAR BY THE AGGREGATE AMOUNT OF ADVANCE PAYMENTS THAT THE TAXPAYER CLAIMED FOR THE APPLICABLE CREDIT DURING THE TAXABLE YEAR, AND:

(a) IF THE AGGREGATE AMOUNT OF ADVANCE PAYMENTS CLAIMED FOR THE APPLICABLE TAX YEAR EXCEEDS THE AMOUNT OF THE CREDIT

ALLOWED TO THE TAXPAYER, THE AMOUNT OF THE EXCESS IS SUBJECT TO RECAPTURE; OR

(b) IF THE AGGREGATE AMOUNT OF ADVANCE PAYMENTS FOR THE APPLICABLE TAX YEAR IS LESS THAN THE AMOUNT OF THE CREDIT ALLOWED TO THE TAXPAYER, THE AMOUNT OF THE DIFFERENCE MAY BE CLAIMED BY THE TAXPAYER AS A CREDIT IN THE TAXABLE YEAR IN THE SAME MANNER AS THE APPLICABLE CREDIT.

(5) IN THE CASE OF A PARTNERSHIP OR S CORPORATION ELECTING ADVANCE PAYMENTS UNDER THIS SECTION, THE PARTNERSHIP OR S CORPORATION SHALL MAKE THE ELECTION AND THE DEPARTMENT SHALL MAKE THE ADVANCE PAYMENTS TO THE PARTNERSHIP OR S CORPORATION. IN THE EVENT OF AN EXCESS AMOUNT PURSUANT TO SUBSECTION (4)(a) OF THIS SECTION, THE PARTNERSHIP OR S CORPORATION SHALL PAY THE AMOUNT OF THE EXCESS ON BEHALF OF THE PARTNERS OR SHAREHOLDERS. IN THE EVENT OF AN AMOUNT OF DIFFERENCE PURSUANT TO SUBSECTION (4)(b) OF THIS SECTION, THE DEPARTMENT SHALL REFUND THE AMOUNT OF THE DIFFERENCE TO THE PARTNERSHIP OR S CORPORATION.

**SECTION 12.** In Colorado Revised Statutes, 39-26-732, **amend** (3) and (5) as follows:

**39-26-732. Heat pump systems - tax preference performance statement - legislative declaration - definitions - repeal.** (3) On and after January 1, 2023, BUT BEFORE JANUARY 1, 2024, subject to the provisions of subsection (4) of this section, all sales, storage, and use of heat pump systems and heat pump water heaters that are used in commercial or residential buildings are exempt from taxation under parts 1 and 2 of this article 26.

(5) This section is repealed, effective ~~January 1, 2033~~ JANUARY 1, 2027.

**SECTION 13.** In Colorado Revised Statutes, 39-29-105, **amend** (2)(b) and (2)(c) introductory portion; and **add** (2)(d) as follows:

**39-29-105. Tax on severance of oil and gas.** (2) (b) (I) With respect to oil and gas, there ~~shall be~~ IS allowed, as a credit against the tax computed in accordance with the provisions of subsection (1)(b) of this

section for each taxable year commencing on or after January 1, 2000, but prior to ~~January 1, 2025~~, JANUARY 1, 2024, an amount equal to eighty-seven and one-half percent of all ad valorem taxes assessed during the taxable year in the case of accrual basis taxpayers or paid during the taxable year in the case of cash basis taxpayers upon oil and gas leaseholds and leasehold interests and oil and gas royalties and royalty interests for state, county, municipal, school district, and special district purposes, except such ad valorem taxes assessed or paid for such purposes upon equipment and facilities used in the drilling for, production of, storage of, and pipeline transportation of oil and gas. ~~However,~~

(II) WITH RESPECT TO OIL AND GAS THERE IS ALLOWED, AS A CREDIT AGAINST THE TAX COMPUTED IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (1)(b) OF THIS SECTION FOR EACH TAXABLE YEAR COMMENCING ON OR AFTER JANUARY 1, 2024, BUT PRIOR TO JANUARY 1, 2026, AN AMOUNT EQUAL TO SEVENTY-FIVE PERCENT OF ALL AD VALOREM TAXES ASSESSED DURING THE TAXABLE YEAR IN THE CASE OF ACCRUAL BASIS TAXPAYERS OR PAID DURING THE TAXABLE YEAR IN THE CASE OF CASH BASIS TAXPAYERS UPON OIL AND GAS LEASEHOLDS AND LEASEHOLD INTERESTS AND OIL AND GAS ROYALTIES AND ROYALTY INTERESTS FOR STATE, COUNTY, MUNICIPAL, SCHOOL DISTRICT, AND SPECIAL DISTRICT PURPOSES, EXCEPT SUCH AD VALOREM TAXES ASSESSED OR PAID FOR SUCH PURPOSES UPON EQUIPMENT AND FACILITIES USED IN THE DRILLING FOR, PRODUCTION OF, STORAGE OF, AND PIPELINE TRANSPORTATION OF OIL AND GAS.

(III) NOTWITHSTANDING SUBSECTIONS (2)(b)(I) AND (2)(b)(II) OF THIS SECTION, no credit shall be allowed for ad valorem taxes paid or assessed on oil and gas production that is exempt from the state severance tax pursuant to subsection (1) of this section.

(c) For a taxable year beginning on or after ~~January 1, 2025~~, JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2027, for each well that is not exempt from the state severance tax pursuant to subsection (1)(b) of this section, there is allowed a credit against the tax computed in accordance with the provisions of subsection (1)(b) of this section in an amount calculated by the formula  $C = \del{0.7656} 0.65625 \times GI \times ML$ , where:

(d) FOR A TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 2027, FOR EACH WELL THAT IS NOT EXEMPT FROM THE STATE SEVERANCE TAX PURSUANT TO SUBSECTION (1)(b) OF THIS SECTION, THERE IS ALLOWED A

CREDIT AGAINST THE TAX COMPUTED IN ACCORDANCE WITH SUBSECTION (1)(b) OF THIS SECTION IN AN AMOUNT CALCULATED BY THE FORMULA  $C = 0.7656 \times GI \times ML$ , WHERE:

(I) C IS THE AMOUNT OF THE CREDIT;

(II) GI IS THE GROSS INCOME ATTRIBUTABLE TO THE WELL FOR THE CURRENT TAXABLE YEAR; AND

(III) ML IS THE TOTAL OF ALL MILL LEVIES, FIXED NOT LATER THAN DECEMBER 22 OF THE PRECEDING CALENDAR YEAR PURSUANT TO SECTION 39-1-111, BY ALL LOCAL GOVERNMENTS FOR PROPERTY AT THE WELL'S LOCATION.

**SECTION 14.** In Colorado Revised Statutes, 39-29-108, **amend** (2)(b), (7)(a)(II), (7)(a)(III), (7)(b), (7)(d), and (7)(e); and **add** (2)(e), (7)(a)(IV), and (7)(f) as follows:

**39-29-108. Allocation of severance tax revenues - definitions - repeal.** (2) (b) Except as set forth in ~~subsection~~ SUBSECTIONS (2)(d) AND (2)(e) of this section, of the total gross receipts realized from the severance taxes imposed on minerals and mineral fuels under the provisions of this article after June 30, 2017, fifty percent shall be credited to the state severance tax trust fund created by section 39-29-109, and fifty percent shall be credited to the local government severance tax fund created by section 39-29-110.

(e) (I) EXCEPT AS PROVIDED IN SUBSECTION (2)(e)(II) OF THIS SECTION, FOR THE STATE FISCAL YEARS 2023-24 THROUGH 2026-27, THE STATE TREASURER SHALL CREDIT THE DISCRETE INCREASED AMOUNT OF SEVERANCE TAX FOR OIL AND GAS PRODUCTION THAT IS ATTRIBUTABLE TO THE REDUCTION OF THE CREDIT AGAINST TAX PURSUANT TO SECTION 39-29-105 (2)(b)(II) AND 39-29-105 (2)(c) TO THE DECARBONIZATION TAX CREDITS ADMINISTRATION CASH FUND CREATED IN SECTION 24-38.5-120 (2).

(II) THE STATE TREASURER SHALL CREDIT A PORTION OF THE DISCRETE INCREASED AMOUNT OF SEVERANCE TAX FOR OIL AND GAS PRODUCTION IN THE AMOUNT ATTRIBUTABLE TO ADMINISTRATIVE COSTS TO THE RESPECTIVE CASH FUNDS SO THAT ALL ADMINISTRATIVE COSTS ARE REPAYED TO THE RESPECTIVE CASH FUNDS ON OR BEFORE JULY 1, 2025.



(III) AS USED IN THIS SUBSECTION (2)(e), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(A) "ADMINISTRATIVE COSTS" MEANS THE AMOUNT OF MONEY EXPENDED FROM THE RESPECTIVE CASH FUNDS BY THE COLORADO ENERGY OFFICE AND THE DEPARTMENT OF REVENUE FOR THE ADMINISTRATION AND IMPLEMENTATION OF CERTAIN INCOME TAX CREDITS AND A TEMPORARY SPECIFIC OWNERSHIP TAX RATE REDUCTION FOR ELECTRIC MEDIUM-DUTY AND HEAVY-DUTY TRUCKS THAT ARE PART OF A FLEET AS PROVIDED FOR IN SECTIONS 24-38.5-116 (6)(b)(II), 24-38.5-118 (7)(d), 24-38.5-506 (2)(a)(II), AND 25-7-1405 (2)(b).

(B) "DISCRETE INCREASED AMOUNT OF SEVERANCE TAX FOR OIL AND GAS PRODUCTION" MEANS THE AMOUNT OF TAX COLLECTED THAT IS ATTRIBUTABLE TO A TWELVE AND ONE-HALF PERCENT REDUCTION IN THE SEVERANCE TAX CREDIT FOR OIL AND GAS PRODUCTION SET FORTH IN SECTION 39-29-105 (2)(b)(II) FOR TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2026, AND A TEN AND NINE HUNDRED THIRTY-FIVE THOUSANDTHS PERCENT REDUCTION SET FORTH IN SECTION 39-29-105 (2)(c) FOR TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2027.

(C) "RESPECTIVE CASH FUNDS" MEANS THE INDUSTRIAL AND MANUFACTURING OPERATIONS CLEAN AIR GRANT PROGRAM CASH FUND CREATED IN SECTION 24-38.5-116 (6), THE GEOTHERMAL ENERGY GRANT FUND CREATED IN SECTION 24-38.5-118 (7), THE COMMUNITY ACCESS TO ELECTRIC BICYCLES CASH FUND CREATED IN SECTION 24-38.5-506, OR THE ELECTRIFYING SCHOOL BUSES GRANT PROGRAM CASH FUND CREATED IN SECTION 25-7-1405.

(7) (a) The director of the office of state planning and budgeting and the executive directors of the departments of revenue, natural resources, education, and local affairs, or their designees, shall, in consultation with the stakeholder group convened pursuant to subsection (7)(c) of this section, develop an implementation plan with recommendations to:

(II) Require electronic filing of returns for severance taxes; and

(III) Require additional electronic data collection necessary to ease the administration and enforcement of the state severance tax on oil and gas,

including consideration of opportunities for increased data sharing among state and local government agencies; AND

(IV) MAKE RECOMMENDATIONS FOR THE LONG-TERM RESTRUCTURING OF THE CREDIT ALLOWED IN SECTION 39-29-105 (2) INCLUDING:

(A) LINKING THE SIZE OF THE CREDIT IN A GIVEN TAX YEAR TO OIL AND GAS TAXPAYERS' PROFITABILITY OR REVENUES FOR THAT TAX YEAR;

(B) SEPARATING THE CREDIT FOR OIL PRODUCTION AND GAS PRODUCTION;

(C) LINKING THE CREDIT IN A GIVEN TAX YEAR TO THE RELATIVE DIFFERENCE BETWEEN OIL AND GAS PRICES FOR THAT TAX YEAR COMPARED TO HISTORIC MONTHLY HENRY HUB NATURAL GAS SPOT PRICES AS REPORTED BY THE UNITED STATES ENERGY INFORMATION ADMINISTRATION AND MONTHLY CUSHING, OKLAHOMA WEST TEXAS INTERMEDIATE SPOT PRICES AS REPORTED BY THE UNITED STATES ENERGY INFORMATION ADMINISTRATION;

(D) UPDATING THE DEPARTMENT OF REVENUE'S SEVERANCE TAX FORM AND REPROGRAMMING GENTAX TO MAKE THESE CHANGES POSSIBLE; AND

(E) GIVING CONSIDERATION TO THE FACT THAT THE CURRENT CREDIT SIZE RESULTS IN THE STATE EFFECTIVELY SUBSIDIZING LOCAL TAXING JURISDICTIONS WHICH WAS NOT THE ORIGINAL INTENT OF THE CREDIT.

(b) The implementation plan required by subsection (7)(a) of this section must include a quantitative fiscal analysis of the ~~change~~ CHANGES described in ~~subsection~~ SUBSECTIONS (7)(a)(I) AND (7)(a)(IV) of this section and the calculation of the credit allowed in section 39-29-105 (2)(c) and make recommendations as to how they can be implemented while maintaining revenue neutrality.

(d) The persons identified in subsection (7)(a) of this section shall submit the written implementation plan to the joint budget committee no later than ~~January 15, 2024~~ JANUARY 15, 2025. Prior to submission of the implementation plan, the stakeholder group shall have an opportunity to

review the draft recommendations and individual stakeholders may provide comments in response to the implementation plan to be included with the submission of the implementation plan.

(e) ~~This subsection (7) is repealed, effective July 1, 2024.~~ IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE RECOMMENDATIONS WITHIN THE IMPLEMENTATION PLAN PURSUANT TO SUBSECTION (7)(a) OF THIS SECTION BE IMPLEMENTED BY TAX YEAR 2026 WITH RESPECT TO CHANGING THE STRUCTURE OF THE CREDIT, PROVIDED THAT REVENUE TO THE STATE, AS DETERMINED BY LEGISLATIVE COUNCIL STAFF, IS NEUTRAL WITH RESPECT TO AMENDMENTS MADE TO 39-29-105 (2)(b) AND (2)(c) AS AMENDED BY HB23-1272. TO THIS END, IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT 39-29-105 (2)(c) BE FURTHER AMENDED OR SUPERSEDED BY THE RECOMMENDATION OR RECOMMENDATIONS DURING THE 2025 LEGISLATIVE SESSION.

(f) THIS SUBSECTION (7) IS REPEALED, EFFECTIVE JULY 1, 2025.

**SECTION 15.** In Colorado Revised Statutes, 42-3-107, **amend** (1)(a)(I); and **add** (1)(a)(IV) as follows:

**42-3-107. Taxable value of classes of property - rate of tax - when and where payable - department duties - apportionment of tax collections - definitions - rules - repeal.** (1) (a) (I) Except as provided in ~~subparagraph (I.5) of this paragraph (a);~~ SUBSECTIONS (1)(a)(I.5) AND (1)(a)(IV) OF THIS SECTION, the taxable value of every item of Class A or Class B personal property greater than sixteen thousand pounds declared empty vehicle weight shall be the actual purchase price of such property. Such price shall not include any applicable federal excise tax, including the excise tax on the first retail sale of a heavy truck, trailer, or tractor for which the seller is liable, transportation or shipping costs, or preparation and delivery costs. The taxable value of every item of Class A or Class B personal property less than or equal to sixteen thousand pounds declared empty vehicle weight shall be seventy-five percent of the manufacturer's suggested retail price.

(IV) (A) ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2028, THE TAXABLE VALUE OF EVERY ITEM OF NEW CLASS A OR CLASS B PERSONAL PROPERTY THAT IS A FLEET VEHICLE AND IS GREATER THAN SIXTEEN THOUSAND POUNDS DECLARED EMPTY VEHICLE WEIGHT AND THAT

MEETS THE DEFINITION OF CATEGORY 7 TRUCKS AS DEFINED IN SECTION 39-22-516.8 (1)(I), IS FIFTY PERCENT OF THE ACTUAL PURCHASE PRICE OF SUCH PROPERTY.

(B) ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2028, THE TAXABLE VALUE OF EVERY ITEM OF NEW CLASS A OR CLASS B PERSONAL PROPERTY THAT IS A FLEET VEHICLE AND IS LESS THAN OR EQUAL TO SIXTEEN THOUSAND POUNDS DECLARED EMPTY VEHICLE WEIGHT AND THAT MEETS THE DEFINITION OF CATEGORY 7 TRUCKS AS DEFINED IN SECTION 39-22-516.8 (1)(I), IS FIFTY PERCENT OF THE MANUFACTURER'S SUGGESTED RETAIL PRICE OF SUCH PROPERTY.

(C) ON OR AFTER JANUARY 1, 2028, BUT BEFORE JANUARY 1, 2033, THE TAXABLE VALUE OF EVERY ITEM OF NEW CLASS A OR CLASS B PERSONAL PROPERTY THAT IS A FLEET VEHICLE AND IS GREATER THAN SIXTEEN THOUSAND POUNDS DECLARED EMPTY VEHICLE WEIGHT AND THAT MEETS THE DEFINITION OF CATEGORY 7 TRUCKS AS DEFINED IN SECTION 39-22-516.8 (1)(I), IS SIXTY PERCENT OF THE ACTUAL PURCHASE PRICE OF SUCH PROPERTY.

(D) ON OR AFTER JANUARY 1, 2028, BUT BEFORE JANUARY 1, 2033, THE TAXABLE VALUE OF EVERY ITEM OF NEW CLASS A OR CLASS B PERSONAL PROPERTY THAT IS A FLEET VEHICLE AND IS LESS THAN OR EQUAL TO SIXTEEN THOUSAND POUNDS DECLARED EMPTY VEHICLE WEIGHT AND THAT MEETS THE DEFINITION OF CATEGORY 7 TRUCKS AS DEFINED IN SECTION 39-22-516.8 (1)(I), IS SIXTY PERCENT OF THE MANUFACTURER'S SUGGESTED RETAIL PRICE OF SUCH PROPERTY.

(E) THIS SUBSECTION (1)(a)(IV) IS REPEALED, EFFECTIVE JANUARY 1, 2034.

**SECTION 16.** In Colorado Revised Statutes, 24-38.5-102, add (3.3) and (5) as follows:

**24-38.5-102. Colorado energy office - duties and powers - definitions.** (3.3) AS PART OF THE HEARING REQUIRED BY SECTION 2-7-203 (2), FOR HEARINGS HELD ON OR AFTER JANUARY 1, 2025, BUT BEFORE JANUARY 1, 2034, THE COLORADO ENERGY OFFICE SHALL REPORT ON THE ESTIMATED IMPACT OF GREENHOUSE GAS EMISSIONS REDUCTIONS ATTRIBUTABLE TO THE TAX CREDITS CREATED IN SECTIONS 39-22-551,

39-22-552, 39-22-553, 39-22-554, 39-22-555, AND 39-22-556.

(5) (a) AS USED IN THIS SUBSECTION (5), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(I) "DECARBONIZATION TAX CREDITS" MEANS THE TAX CREDITS CREATED IN SECTIONS 39-22-551, 39-22-552, 39-22-553, 39-22-554, 39-22-555, AND 39-22-556.

(II) "STANDARDS" MEAN THE STANDARDS OR GUIDELINES THE OFFICE IS AUTHORIZED TO ADOPT TO IMPLEMENT THE DECARBONIZATION TAX CREDITS.

(b) NOTWITHSTANDING 24-1-136 (11)(a)(I), BEGINNING ON AND AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2033, THE COLORADO ENERGY OFFICE SHALL ANNUALLY REPORT TO THE TRANSPORTATION AND ENERGY COMMITTEE OF THE SENATE, THE ENERGY AND ENVIRONMENT COMMITTEE OF THE HOUSE OF REPRESENTATIVES, AND THE FINANCE COMMITTEES OF THE SENATE AND THE HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEES, THE FOLLOWING:

(I) STANDARDS ADOPTED IN THE PRECEDING YEAR;

(II) AMENDMENTS, MODIFICATIONS, CHANGES, OR REPEALS TO PREVIOUSLY ADOPTED STANDARDS IN THE PRECEDING YEAR; AND

(III) INFORMATION ON ANY PUBLIC COMMENT SOLICITED OR RECEIVED PURSUANT TO THE ADOPTION OF STANDARDS OR TO THE AMENDMENT, MODIFICATION, CHANGE, OR REPEAL OF PREVIOUSLY ADOPTED STANDARDS.

(c) THE COLORADO ENERGY OFFICE MAY INCLUDE THE INFORMATION REQUIRED IN SUBSECTION (5)(b) OF THIS SECTION IN ITS ANNUAL PRESENTATION TO ITS JOINT COMMITTEES OF REFERENCE PURSUANT TO SECTION 2-7-203.

(d) IF IN THE PRECEDING YEAR THE COLORADO ENERGY OFFICE DOES NOT ADOPT NEW STANDARDS OR MAKE ANY CHANGES OR MODIFICATIONS TO ADOPTED STANDARDS, THEN IT IS NOT REQUIRED TO REPORT IN THAT YEAR PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION.

(e) THIS SUBSECTION (5) IS REPEALED, EFFECTIVE DECEMBER 1, 2033.

**SECTION 17.** In Colorado Revised Statutes, 24-38.5-116, amend (6)(b); and add (3)(c) as follows:

**24-38.5-116. Industrial and manufacturing operations clean air grant program - creation - eligibility - fund created - gifts, grants, or donations - transfer - legislative declaration - definitions - reporting - repeal.** (3) **Grant program.** (c) (I) GRANTS CANNOT BE AWARDED FOR GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS PUT IN SERVICE AT AN INDUSTRIAL FACILITY FOR WHICH AN INDUSTRIAL CLEAN ENERGY TAX CREDIT IS RECEIVED PURSUANT TO SECTION 39-22-551.

(II) AS USED IN THIS SUBSECTION (3)(c), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(A) "GREENHOUSE GAS EMISSIONS REDUCTION IMPROVEMENTS" HAS THE SAME MEANING AS SET FORTH IN SECTION 39-22-551 (2)(e).

(B) "INDUSTRIAL FACILITY" HAS THE SAME MEANING AS SET FORTH IN SECTION 39-22-551 (2)(g).

(6) **Fund.** (b) (I) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6)(b)(II) OF THIS SECTION, the money in the fund is continuously appropriated to the office for the purposes set forth in this section. The state treasurer shall credit all interest and income derived from the deposit and investment of money in the fund to the fund. Any unexpended and unencumbered money remaining in the fund at the end of a state fiscal year remains in the fund; except that the state treasurer shall transfer any money remaining in the fund at the end of the 2027-28 state fiscal year to the general fund.

(II) FOR STATE FISCAL YEARS 2023-24 AND 2024-25, THE OFFICE AND, SUBJECT TO ANNUAL APPROPRIATION, THE DEPARTMENT OF REVENUE MAY EXPEND MONEY FROM THE FUND FOR THE ADMINISTRATION AND IMPLEMENTATION OF THE INDUSTRIAL CLEAN ENERGY TAX CREDIT CREATED IN SECTION 39-22-551 AND THE TAX CREDIT FOR SUSTAINABLE AVIATION FUEL PRODUCTION FACILITY CREATED IN SECTION 39-22-556. THE OFFICE SHALL KEEP AN ACCOUNTING OF ALL MONEY EXPENDED FROM THE FUND

PURSUANT TO THIS SUBSECTION (6)(b)(II) FOR PURPOSES OF CALCULATING THE REPAYMENT OF THE ADMINISTRATIVE COSTS REQUIRED BY SECTION 39-29-108 (2)(e)(II).

**SECTION 18.** In Colorado Revised Statutes, 24-38.5-118, **amend** (7)(a)(III); and **add** (7)(d) as follows:

**24-38.5-118. Geothermal energy grant program - creation - procedures - fund - report - definitions - repeal. (7) Fund.** (a) (III) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (7)(d) OF THIS SECTION, money in the fund is continuously appropriated to the office to implement this section.

(d) FOR STATE FISCAL YEARS 2023-24 AND 2024-25, THE OFFICE AND, SUBJECT TO ANNUAL APPROPRIATION, THE DEPARTMENT OF REVENUE MAY EXPEND MONEY IN THE FUND FOR THE ADMINISTRATION AND IMPLEMENTATION OF THE TAX CREDIT FOR EXPENDITURES MADE IN CONNECTION WITH A GEOTHERMAL ENERGY PROJECT CREATED IN SECTION 39-22-552, THE GEOTHERMAL ELECTRICITY GENERATION PRODUCTION TAX CREDIT CREATED IN SECTION 39-22-553, AND THE HEAT PUMP TECHNOLOGY AND THERMAL ENERGY NETWORK TAX CREDIT CREATED IN SECTION 39-22-554. THE OFFICE SHALL KEEP AN ACCOUNTING OF ALL MONEY EXPENDED FROM THE FUND PURSUANT TO THIS SUBSECTION (7)(d) FOR PURPOSES OF CALCULATING THE REPAYMENT OF THE ADMINISTRATIVE COSTS REQUIRED BY SECTION 39-29-108 (2)(e)(II).

**SECTION 19.** In Colorado Revised Statutes, 24-38.5-506, **amend** (2) as follows:

**24-38.5-506. Community access to electric bicycles cash fund - creation - gifts, grants, or donations - transfer - repeal.** (2) (a) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)(b) OF THIS SECTION, the money in the fund is continuously appropriated to the office for the purposes set forth in this part 5. The state treasurer shall credit all interest and income derived from the deposit and investment of money in the fund to the fund. Any unexpended and unencumbered money remaining in the fund at the end of a state fiscal year remains in the fund; except that the state treasurer shall transfer any money remaining in the fund at the end of the 2026-27 state fiscal year to the general fund.

(b) FOR STATE FISCAL YEARS 2023-24 AND 2024-25, THE OFFICE AND, SUBJECT TO ANNUAL APPROPRIATION, THE DEPARTMENT OF REVENUE MAY EXPEND MONEY IN THE FUND FOR THE ADMINISTRATION AND IMPLEMENTATION OF THE ELECTRIC BICYCLE TAX CREDIT CREATED IN SECTION 39-22-555. THE OFFICE SHALL KEEP AN ACCOUNTING OF ALL MONEY EXPENDED FROM THE FUND PURSUANT TO THIS SUBSECTION (2)(a)(II) FOR PURPOSES OF CALCULATING THE REPAYMENT OF THE ADMINISTRATIVE COSTS REQUIRED BY SECTION 39-29-108 (2)(e)(II).

**SECTION 20.** In Colorado Revised Statutes, 25-7-1405, amend (1)(a) and (2) as follows:

**25-7-1405. Electrifying school buses grant program cash fund - creation - gifts, grants, and donations - transfer - repeal.** (1) (a) The electrifying school buses grant program cash fund is created in the state treasury, and, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)(b) OF THIS SECTION, the department shall administer the fund for the purposes of this part 14. The fund consists of any money that the general assembly may transfer or appropriate to the fund for implementation of the grant program and any federal money or gifts, grants, or donations received pursuant to subsection (1)(b) of this section.

(2) (a) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)(b) OF THIS SECTION, the money in the fund is continuously appropriated to the department, and the department may expend money in the fund for the purposes set forth in this part 14. The state treasurer shall credit all interest and income derived from the deposit and investment of money in the fund to the fund. Any unexpended and unencumbered money remaining in the fund at the end of a state fiscal year remains in the fund; except that the state treasurer shall transfer any money remaining in the fund at the end of the 2032-33 state fiscal year to the general fund.

(b) FOR STATE FISCAL YEARS 2023-24 AND 2024-25, AND SUBJECT TO ANNUAL APPROPRIATION, THE COLORADO ENERGY OFFICE, CREATED IN SECTION 24-38.5-101, AND THE DEPARTMENT OF REVENUE MAY EXPEND MONEY FROM THE FUND FOR THE ADMINISTRATION AND IMPLEMENTATION OF THE INNOVATIVE MOTOR VEHICLES AND INNOVATIVE TRUCKS TAX CREDITS CREATED IN SECTIONS 39-22-516.7 AND 39-22-516.8 AND FOR THE SPECIFIC OWNERSHIP TAX RATE REDUCTION FOR ELECTRIC MEDIUM-DUTY AND HEAVY-DUTY TRUCKS THAT ARE PART OF A FLEET AS SET FORTH IN



SECTION 42-3-107 (1)(a)(IV). THE OFFICE SHALL KEEP AN ACCOUNTING OF ALL MONEY EXPENDED FROM THE FUND PURSUANT TO THIS SUBSECTION (2)(b) FOR PURPOSES OF CALCULATING THE REPAYMENT OF THE ADMINISTRATIVE COSTS REQUIRED BY SECTION 39-29-108 (2)(e)(II).

**SECTION 21.** In Colorado Revised Statutes, add 24-38.5-120 as follows:

**24-38.5-120. Decarbonization tax credits administration cash fund - definitions - repeal.** (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "DECARBONIZATION TAX CREDITS" MEANS THE CREDITS CREATED IN SECTIONS 39-22-516.7, 39-22-516.8, 39-22-551, 39-22-552, 39-22-553, 39-22-554, 39-22-555, AND 39-22-556.

(b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(c) "FUND" MEANS THE DECARBONIZATION TAX CREDITS ADMINISTRATION CASH FUND CREATED IN SUBSECTION (2) OF THIS SECTION.

(d) "OFFICE" MEANS THE COLORADO ENERGY OFFICE.

(2) THE DECARBONIZATION TAX CREDITS ADMINISTRATION CASH FUND IS HEREBY CREATED IN THE STATE TREASURY. THE FUND CONSISTS OF MONEY CREDITED TO THE FUND PURSUANT TO SECTION 39-29-108 (2)(e)(I) AND ANY OTHER MONEY THAT THE GENERAL ASSEMBLY MAY APPROPRIATE OR TRANSFER TO THE FUND.

(3) SUBJECT TO ANNUAL APPROPRIATION BY THE GENERAL ASSEMBLY, FOR STATE FISCAL YEARS 2023-24 THROUGH 2034-35, THE OFFICE AND THE DEPARTMENT MAY EXPEND MONEY FROM THE FUND FOR DIRECT AND INDIRECT COSTS ASSOCIATED WITH THE IMPLEMENTATION AND ADMINISTRATION OF THE DECARBONIZATION TAX CREDITS.

(4) THE STATE TREASURER SHALL TRANSFER ALL UNEXPENDED AND UNENCUMBERED MONEY IN THE FUND ON JUNE 30, 2024, JUNE 30, 2025, AND JUNE 30, 2026, TO THE GENERAL FUND; EXCEPT THAT THE BALANCE OF MONEY REMAINING IN THE FUND NOT INCLUDING EXPENDED AND ENCUMBERED MONEY SHALL NOT BE LESS THAN ONE HUNDRED THOUSAND

DOLLARS.

(5) NOTWITHSTANDING SUBSECTION (4) OF THIS SECTION, ON JULY 1, 2036, THE STATE TREASURER SHALL TRANSFER ALL MONEY IN THE FUND TO THE GENERAL FUND.

(6) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2036.

**SECTION 22.** In Colorado Revised Statutes, 39-30-104, **add** (7) as follows:

**39-30-104. Credit against tax - investment in certain property - definitions.** (7) A PERSON THAT CLAIMS A CREDIT PURSUANT TO SECTION 39-22-551 IS NOT ENTITLED TO CLAIM THE CREDIT ALLOWED PURSUANT TO THIS SECTION FOR THE SAME IMPROVEMENTS FOR WHICH A CREDIT WAS ALLOWED BY THAT SECTION. A PERSON THAT CLAIMS A CREDIT PURSUANT TO SECTION 39-22-552 OR 39-22-553 IS NOT ENTITLED TO CLAIM THE CREDIT ALLOWED PURSUANT TO THIS SECTION FOR THE SAME PROJECT FOR WHICH A CREDIT WAS ALLOWED BY THOSE SECTIONS.

**SECTION 23.** In Colorado Revised Statutes, 39-21-119.5, **amend** (2)(a)(III), (2)(a)(IV), (4)(j), and (4)(k); and **add** (2)(a)(V) and (4)(l) as follows:

**39-21-119.5. Mandatory electronic filing of returns - mandatory electronic payment - penalty - waiver - definitions.** (2) Except as provided in subsection (6) of this section, the executive director may, as specified in subsection (3) of this section, require the electronic filing of returns and require the payment of any tax or fee due by electronic funds transfer for the following:

(a) Any income tax return required for:

(III) A fiduciary pursuant to section 39-22-601 (3), including withholding for nonresident beneficiaries pursuant to section 39-22-601 (4); **and**

(IV) A partnership pursuant to section 39-22-601 (5), including composite returns filed on behalf of nonresident partners, agreements filed under section 39-22-601 (5)(e), and payments made under section

39-22-601 (5)(h); AND

(V) A PERSON OR ORGANIZATION EXEMPT FROM TAX PURSUANT TO SECTION 39-22-601 (7).

(4) Except as provided in subsection (6) of this section, on and after August 2, 2019, electronic filing of returns and the payment of any tax or fee by electronic funds transfer is required for the following:

(j) Any nicotine products tax return required to be filed and payment required to be paid pursuant to article 28.6 of this title 39; and

(k) Any clean fleet per ride fee and air pollution mitigation per ride fee return required to be filed and payment required pursuant to section 40-10.1-607.5; AND

(l) ANY QUARTERLY REPORT FOR THE ADVANCE PAYMENT OF AN INCOME TAX CREDIT REQUIRED TO BE FILED PURSUANT TO SECTION 39-22-629 (2)(b).

**SECTION 24. Appropriation.** (1) For the 2023-24 state fiscal year, \$149,729 is appropriated to the department of revenue. Of this amount, \$129,479 is from the electrifying school buses grant program cash fund created in section 25-7-1405 (1)(a), C.R.S., \$11,250 is from the community access to electric bicycles cash fund created in section 24-38.5-506 (1)(a), C.R.S., \$4,500 is from the geothermal energy grant fund created in section 24-38.5-118 (7)(a)(I), C.R.S., and \$4,500 is from the industrial and manufacturing operations clean air program grant program cash fund created in section 24-38.5-116 (6)(a)(I), C.R.S. To implement this act, the department may use this appropriation as follows:

(a) \$6,328 for administration and support related to the executive director's office, which amount is based on an assumption that the division will require an additional 0.1 FTE;

(b) \$56,250 for tax administration IT system (GenTax) support related to administration;

(c) \$3,200 for personal services related to taxation services;

- (d) \$19,040 for DRIVES maintenance and support;
- (e) \$990 for operating expenses related to vehicle services; and
- (f) \$63,921 for the purchase of document management services.

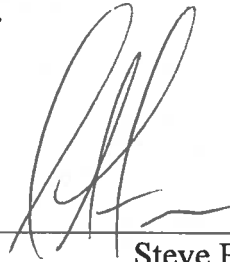
(2) For the 2023-24 state fiscal year, \$63,921 is appropriated to the department of personnel. This appropriation is from reappropriated funds received from the department of revenue under subsection (1)(f) of this section. To implement this act, the department of personnel may use this appropriation to provide document management services for the department of revenue.

**SECTION 25. Safety clause.** The general assembly hereby finds,


determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety.



Julie McCluskie  
SPEAKER OF THE HOUSE  
OF REPRESENTATIVES



Steve Fenberg  
PRESIDENT OF  
THE SENATE

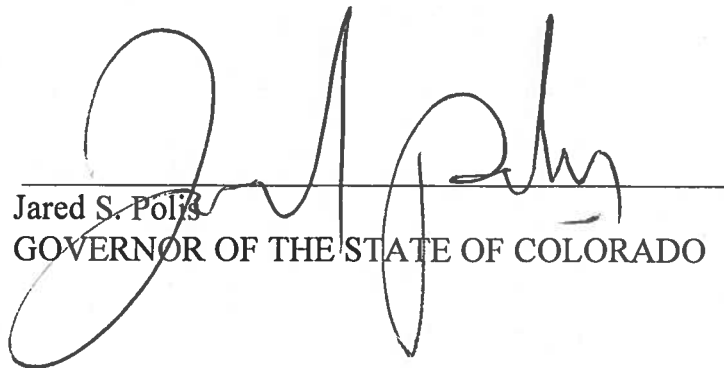


Robin Jones  
CHIEF CLERK OF THE HOUSE  
OF REPRESENTATIVES



Cindi L. Markwell  
SECRETARY OF  
THE SENATE

APPROVED Thursday, May 11<sup>th</sup>, 2023 at 5:15pm  
(Date and Time)



Jared S. Polis  
GOVERNOR OF THE STATE OF COLORADO