After consideration on the merits, the Committee recommends the following:

SB22-051 be amended as follows, and as so amended, be referred to the Committee on Finance with favorable recommendation:

1. Amend printed bill, page 2, strike lines 2 through 20.
3. Page 5, strike lines 1 through 16 and substitute:

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


(1) (a) The General Assembly hereby finds and declares that:

(I) The General Assembly has committed to reduce greenhouse gases through numerous policy and regulatory measures to meet the goals established in 2019;

(II) Great quantities of emissions are released in the traditional process of heating and cooling private sector residential buildings;

(III) There is great potential for businesses and individuals in the state to reduce greenhouse gas emissions generated in the heating and cooling of residential buildings by installing air-source and ground-source heat pump systems or heat pump water heaters, which reduce net greenhouse gas emissions;

(IV) Providing an income tax credit for air-source and ground-source heat pump systems and heat pump water heaters will encourage businesses and individuals to purchase and use those heat pump systems rather than traditional heating and cooling methods; and
(V) The purchase and use of air-source and ground-source heat pump systems and heat pump water heaters will benefit public health in the heating and cooling of homes and businesses, take advantage of excess renewable energy power generation during peak times, and make use of readily available excess heat.

(b) 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 hereby finds and declares that the purposes of the tax expenditure created in subsection (3) of this section are to:

(I) Induce certain designated behavior by taxpayers, specifically the purchase and use of air-source and ground-source heat pump systems and heat pump water heaters; and

(II) Contribute to the state's effort to achieve its climate goals.

(c) The general assembly and the state auditor shall measure the effectiveness of the tax credits in achieving the purposes specified in subsection (1)(b) of this section based on the number of air-source and ground-source heat pump systems and the number of heat pump water heaters sold and used in the state. The Colorado energy office shall provide the state auditor with any available information that would assist the state auditor's measurement.

(2) As used in this section, unless the context otherwise requires:

(a) "Air-source heat pump system" has the same meaning set forth in section 39-26-731 (2)(a).

(b) "Ground-source heat pump system" has the same meaning set forth in section 39-26-731 (2)(b).

(c) "Heat pump water heater" has the same meaning set forth in section 39-26-731 (2)(c).

(3) (a) For income tax years beginning on or after January 1, 2023, but before January 1, 2033, any taxpayer that installs a residential or commercial air-source heat pump or a ground-source heat pump is allowed a credit against the tax imposed by this article 22 in an amount equal to ten percent of the purchase price of the air-source heat pump or ground-source heat pump.

(b) For income tax years beginning on or after January 1, 2023, but before January 1, 2033, any taxpayer that installs a
RESIDENTIAL OR COMMERCIAL HEAT PUMP WATER HEATER IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT EQUAL TO TEN PERCENT OF THE PURCHASE PRICE OF THE HEAT PUMP WATER HEATER.

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

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

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

39-22-544. Credit against tax - residential energy storage systems - tax preference performance statement - legislative declaration - definition - 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 HEREBY FINDS AND DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO:

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

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

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

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

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

(4) The amount of any credit allowed under this section
that exceeds the taxpayer's income taxes due is refunded to the
taxpayer.

(5) To be eligible to claim a tax credit pursuant to this
section, a taxpayer is required to submit evidence of the
installation of the installation of an energy storage system in
a residential dwelling, to the department of revenue in a form
and manner to be determined by the department.

(6) This section is repealed, effective January 1, 2035.

Renumber succeeding sections accordingly.

Page 8, line 10, strike "systems" and substitute "systems - heat pump
water heaters".

Page 8, line 24, strike "SYSTEMS," and substitute "SYSTEMS AND HEAT
PUMP WATER HEATERS,"

Page 8, line 27, after "SYSTEMS" insert "AND HEAT PUMP WATER
HEATERS".

Page 9, line 5, after "SYSTEMS" insert "AND HEAT PUMP WATER HEATERS".

Page 9, line 8, strike "REDUCE" and substitute "MAKE USE OF".

Page 9, line 17, strike "SYSTEMS;" and substitute "SYSTEMS AND HEAT
PUMP WATER HEATERS;".

Page 9, line 23, after "SYSTEMS" insert "AND HEAT PUMP WATER
HEATERS".

Page 10, strike lines 5 through 23 and substitute:

"(B) HAS A VARIABLE SPEED COMPRESSOR;
(C) IS LISTED IN THE AIR-CONDITIONING, HEATING, AND
REFRIGERATION INSTITUTE DIRECTORY OF CERTIFIED PRODUCT
PERFORMANCE AS A MATCHED SYSTEM; AND
(D) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR
EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL
ELECTRICAL CODE AND THE MANUFACTURER'S SPECIFICATIONS."
(II) "AIR-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL FUEL SYSTEM 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;

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

(C) THE SYSTEM HAS A FURNACE WITH AN ANNUAL FUEL UTILIZATION EFFICIENCY RATING OF NINETY PERCENT OR HIGHER;

(D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS CERTIFIED TO NITC R78 BRAZING PROCEDURE; AND

(E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS."

Page 11, line 6, strike "MULTI-SPEED OR".

Page 11, strike lines 13 through 24 and substitute:

"(II) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL FUEL SYSTEM 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;

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

(C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY RATING OF NINETY PERCENT OR HIGHER;

(D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS CERTIFIED TO NITC R78 BRAZING PROCEDURE; AND

(E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

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

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

(c) (I) "HEAT PUMP WATER HEATER" MEANS AN ELECTRIC WATER HEATER USING HEAT PUMP TECHNOLOGY TO TRANSFER HEAT FROM THE SURROUNDING AIR TO WATER IN A TANK, AND THAT:

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

(B) INCLUDES A MODULAR DEMAND RESPONSE COMMUNICATIONS PORT.
"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.

Page 11, line 26, strike "SYSTEMS AND" and substitute "SYSTEMS,"

Page 11, line 27, strike "SYSTEMS" and substitute "SYSTEMS, AND HEAT
PUMP WATER HEATERS"

Page 12, after line 3 insert:

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

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

Renumber succeeding sections accordingly.

Page 12, strike line 26 and substitute "SYSTEMS, GROUND-SOURCE HEAT
PUMP SYSTEMS, AND HEAT PUMP WATER HEATERS SET FORTH IN".

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