

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

REREVISED

*This Version Includes All Amendments
Adopted in the Second House*

LLS NO. 22-0675.01 Nicole Myers x4326

SENATE BILL 22-051

SENATE SPONSORSHIP

Hansen, Bridges, Buckner, Danielson, Fenberg, Fields, Ginal, Gonzales, Hinrichsen, Jaquez
Lewis, Lee, Pettersen, Priola, Winter, Zenzinger

HOUSE SPONSORSHIP

Sirota, Amabile, Bacon, Bernett, Bird, Boesenecker, Cutter, Exum, Froelich, Gonzales-
Gutierrez, Herod, Hooton, Jodeh, Kipp, Lindsay, Lontine, McCluskie, McCormick, Titone,
Valdez A., Weissman, Woodrow

Senate Committees

Transportation & Energy
Finance
Appropriations

House Committees

Energy & Environment
Finance
Appropriations

A BILL FOR AN ACT

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

Bill Summary

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

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

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

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

HOUSE
3rd Reading Unamended
May 10, 2022

HOUSE
Amended 2nd Reading
May 5, 2022

SENATE
3rd Reading Unamended
April 6, 2022

SENATE
Amended 2nd Reading
April 5, 2022

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

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

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

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

SECTION 1. In Colorado Revised Statutes, 24-92-117, **add (7)**
as follows:

24-92-117. Maximum global warming potential for materials used in eligible projects - buildings - projects that are not roads, highways, or bridges - environmental product declaration - short title - report - definitions. (7) **FOR PURPOSES OF THE SALES AND USE TAX EXEMPTION FOR ELIGIBLE DECARBONIZING BUILDING MATERIALS ALLOWED PURSUANT TO SECTION 39-26-730, ANY MANUFACTURER OF AN ELIGIBLE MATERIAL MAY SUBMIT THE ENVIRONMENTAL PRODUCT DECLARATION FOR THE ELIGIBLE MATERIAL TO THE OFFICE OF THE STATE ARCHITECT. THE OFFICE SHALL REVIEW THE ENVIRONMENTAL PRODUCT DECLARATION FOR ANY ELIGIBLE MATERIAL SUBMITTED TO THE OFFICE BY A MANUFACTURER, AND SHALL DETERMINE WHETHER THE MANUFACTURER'S ELIGIBLE MATERIAL IS WITHIN THE MAXIMUM ACCEPTABLE GLOBAL WARMING POTENTIAL FOR THAT MATERIAL AS DETERMINED BY THE OFFICE PURSUANT TO SUBSECTION (3) OF THIS SECTION. BEGINNING JANUARY 1, 2024, THE OFFICE SHALL COMPILE AND MAINTAIN A LIST OF ALL ELIGIBLE MATERIALS AND THE MANUFACTURERS OF THE ELIGIBLE MATERIALS THAT ARE SUBMITTED TO THE OFFICE AND VERIFIED BY THE OFFICE TO BE WITHIN**

1 THE MAXIMUM ACCEPTABLE GLOBAL WARMING POTENTIAL FOR THAT
2 MATERIAL AS DETERMINED BY THE OFFICE PURSUANT TO SUBSECTION (3)
3 OF THIS SECTION. IN COMPILING THE LIST, THE OFFICE SHALL CONSULT
4 WITH THE DEPARTMENT OF REVENUE TO ENSURE THAT ALL INFORMATION
5 REQUIRED FOR PURPOSES OF THE SALES AND USE TAX EXEMPTION
6 ALLOWED PURSUANT TO SECTION 39-26-730 IS INCLUDED ON THE LIST.
7 THE OFFICE SHALL REGULARLY UPDATE THE LIST, POST THE MOST
8 CURRENT VERSION OF THE LIST ON THE OFFICE'S WEBSITE, AND ENSURE
9 THAT THE LIST IS AVAILABLE TO THE DEPARTMENT OF REVENUE.

10 SECTION 2. In Colorado Revised Statutes, add
11 39-22-543 and 39-22-544 as follows:

12 39-22-543. Credit against tax - heat pump systems - heat
13 pump water heaters - tax preference performance statement -
14 legislative declaration - definitions - repeal. (1) (a) THE GENERAL
15 ASSEMBLY HEREBY FINDS AND DECLARES THAT:

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

19 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED IN THE
20 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR
21 RESIDENTIAL BUILDINGS;

22 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND
23 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS
24 GENERATED IN THE HEATING AND COOLING OF RESIDENTIAL BUILDINGS BY
25 INSTALLING HEAT PUMP SYSTEMS OR HEAT PUMP WATER HEATERS,
26 WHICH REDUCE NET GREENHOUSE GAS EMISSIONS;

27 (IV) PROVIDING AN INCOME TAX CREDIT FOR HEAT PUMP

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

5 (V) THE PURCHASE AND USE OF ___ HEAT PUMP SYSTEMS AND HEAT
6 PUMP WATER HEATERS WILL BENEFIT PUBLIC HEALTH IN THE HEATING AND
7 COOLING OF HOMES AND BUSINESSES ___ AND TAKE ADVANTAGE OF
8 LATENT HEAT SOURCES AND AVAILABLE RENEWABLE POWER DURING LOW
9 DEMAND PERIODS.

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

16 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
17 SPECIFICALLY THE PURCHASE AND USE OF ___ HEAT PUMP SYSTEMS AND
18 HEAT PUMP WATER HEATERS; AND

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

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

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

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

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

7 (c) "HEAT PUMP SYSTEM" MEANS AN AIR-SOURCE HEAT PUMP
8 SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT
9 PUMP SYSTEM, OR VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM.

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

12 (e) "PURCHASE PRICE" MEANS THE AMOUNT ACTUALLY PAID BY
13 THE PURCHASER FOR THE TANGIBLE PERSONAL PROPERTY INSTALLED,
14 INCLUDING CHARGES FOR SALES TAX AND FREIGHT, BUT NOT INCLUDING
15 ANY CHARGES FOR ASSEMBLY, INSTALLATION, OR OTHER CONSTRUCTION
16 SERVICES, OR PERMIT FEES.

17 (f) "PURCHASER" MEANS A TAXPAYER WHO IS THE BUYER OF A
18 HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER.

19 (g) "SELLER" MEANS THE ENTITY THAT SELLS A HEAT PUMP
20 SYSTEM OR HEAT PUMP WATER HEATER TO A PURCHASER.

21 (h) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX UNDER THIS
22 ARTICLE 22, OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE WHO
23 IS EXEMPT FROM TAX UNDER SECTION 39-22-112 (1), BUT DOES NOT
24 INCLUDE INSURANCE COMPANIES SUBJECT TO THE TAX IMPOSED ON GROSS
25 PREMIUMS BY SECTION 10-3-209. FOR PURPOSES OF THIS SECTION, A
26 PERSON OR POLITICAL SUBDIVISION OF THIS STATE WHO IS EXEMPT FROM
27 TAX UNDER SECTION 39-22-112(1) IS A TAXPAYER EVEN IF THE PERSON OR

1 POLITICAL SUBDIVISION HAS NO UNRELATED BUSINESS INCOME.

2 (i) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" HAS THE
3 SAME MEANING SET FORTH IN SECTION 39-26-731 (2)(f).

4 (j) "WATER-SOURCE HEAT PUMP SYSTEM" HAS THE SAME MEANING
5 SET FORTH IN SECTION 39-26-731 (2)(e).

6 (3) (a) SUBJECT TO THE PROVISIONS OF SUBSECTION (4) OF THIS
7 SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
8 1, 2023, BUT BEFORE JANUARY 1, 2025, ANY PURCHASER THAT INSTALLS
9 A RESIDENTIAL OR COMMERCIAL HEAT PUMP SYSTEM INTO REAL PROPERTY
10 IN THIS STATE OR THAT INSTALLS A RESIDENTIAL OR COMMERCIAL HEAT
11 PUMP WATER HEATER INTO REAL PROPERTY IN THIS STATE IS ALLOWED A
12 CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT
13 EQUAL TO TEN PERCENT OF THE PURCHASE PRICE PAID BY THE PURCHASER
14 FOR THE HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER.

15 (b) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE
16 INCOME TAX YEAR IN WHICH THE HEAT PUMP SYSTEM OR HEAT PUMP
17 WATER HEATER IS PURCHASED.

18 (4) (a) (I) TO BE ELIGIBLE TO CLAIM A TAX CREDIT PURSUANT TO
19 THIS SECTION, THE PURCHASER SHALL CERTIFY, AS SPECIFIED IN
20 SUBSECTION (4)(b) OF THIS SECTION, THAT ALL NECESSARY MECHANICAL,
21 PLUMBING, AND ELECTRICAL WORK PERFORMED IN CONNECTION WITH THE
22 INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER IN
23 A NEW OR EXISTING INDUSTRIAL, COMMERCIAL, OR MULTIFAMILY
24 RESIDENTIAL BUILDING CONTAINING TWENTY THOUSAND SQUARE FEET OR
25 MORE OF CONDITIONED FLOOR SPACE WAS OR WILL BE PERFORMED BY A
26 CONTRACTOR ON THE CERTIFIED CONTRACTOR LIST CREATED PURSUANT
27 TO SECTION 40-3.2-105.6 (3)(a), OR BY EMPLOYEES OF A UTILITY, SUBJECT

1 TO STATE LICENSING REQUIREMENTS AND ALL APPLICABLE STATE AND
2 LOCAL RULES, CODES, AND STANDARDS.

3 (II) THE REQUIREMENTS OF THIS SUBSECTION (4)(a) DO NOT APPLY
4 TO THE INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER
5 HEATER THAT IS LIMITED TO IN-UNIT WORK IN A MULTIFAMILY BUILDING
6 OR UNIT AND THAT IS INITIATED BY THE OWNER OR TENANT OF THE
7 MULTIFAMILY BUILDING OR UNIT.

8 (b) THE PURCHASER SHALL CERTIFY, IN A FORM AND MANNER TO
9 BE DETERMINED BY THE DEPARTMENT OF REVENUE, THAT THE HEAT PUMP
10 SYSTEM OR HEAT PUMP WATER HEATER WAS OR WILL BE INSTALLED IN
11 ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (4)(a) OF THIS
12 SECTION, IF APPLICABLE. THE SELLER SHALL PROVIDE THE CERTIFICATION
13 TO THE PURCHASER FOR THE PURPOSES OF SUBSECTION (5) OF THIS
14 SECTION.

15 (5) (a) A PURCHASER MAY ASSIGN THE TAX CREDIT ALLOWED IN
16 THIS SECTION TO THE PURCHASER'S SELLER AS FOLLOWS:

17 (I) THE ASSIGNMENT TO THE SELLER MUST BE COMPLETED AT THE
18 TIME OF PURCHASE OF A NEW HEAT PUMP SYSTEM OR HEAT PUMP WATER
19 HEATER BY ENTERING INTO AN AGREEMENT AS SET FORTH IN SUBSECTION
20 (5)(c) OF THIS SECTION;

21 (II) THE PURCHASER MUST CERTIFY IN WRITING THAT THE
22 PURCHASER WILL COMPLY WITH THE PROVISIONS REGARDING
23 INSTALLATION OF THE HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER
24 SPECIFIED IN SUBSECTION (4) OF THIS SECTION, IF APPLICABLE;

25 (III) THE PURCHASER MUST ASSIGN THE TAX CREDIT TO THE
26 SELLER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE
27 PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE

1 CONSIDERATION; AND

2 (IV) THE SELLER MUST COMPENSATE THE PURCHASER FOR THE
3 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO
4 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT
5 STATE TAXABLE INCOME.

6 (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER
7 ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS SUBSECTION (5),
8 THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE
9 PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR
10 UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE
11 AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

12 (c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER
13 AND THE SELLER MUST ENTER INTO AN AGREEMENT THAT:

14 (I) INCLUDES THE PURCHASER'S WRITTEN CERTIFICATION TO
15 COMPLY WITH THE PROVISIONS REGARDING INSTALLATION OF THE HEAT
16 PUMP SYSTEM OR HEAT PUMP WATER HEATER SPECIFIED IN SUBSECTION (4)
17 OF THIS SECTION, IF APPLICABLE; AND

18 (II) AFFIRMS THAT THE REQUIREMENTS SPECIFIED IN SUBSECTION
19 (5)(a) OF THIS SECTION WERE MET.

20 (d) THE SELLER MAY AUTHORIZE AN AGENT OR A DESIGNEE TO
21 SIGN THE AGREEMENT ON ITS BEHALF.

22 (e) THE SELLER SHALL ELECTRONICALLY SUBMIT A REPORT
23 CONTAINING THE INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED
24 IN SUBSECTION (5)(c) OF THIS SECTION TO THE DEPARTMENT OF REVENUE
25 WITHIN THIRTY DAYS OF THE PURCHASE OF A HEAT PUMP SYSTEM OR HEAT
26 PUMP WATER HEATER IN A FORM AND MANNER TO BE DETERMINED BY THE
27 DEPARTMENT.

1 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN
2 SUBSECTION (5)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR
3 THE TAXABLE YEAR IN WHICH THE HEAT PUMP SYSTEM OR HEAT PUMP
4 WATER HEATER IS PURCHASED.

5 (g) THE DEPARTMENT OF REVENUE, IN CONSULTATION WITH THE
6 COLORADO ENERGY OFFICE, SHALL DEVELOP A MODEL REPORT AND
7 AGREEMENT NO LATER THAN DECEMBER 1, 2022.

8 (6) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE
9 INCOME TAX DUE ON THE INCOME OF THE SELLER FOR THE TAXABLE YEAR,
10 THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE
11 REFUNDABLE TO THE SELLER.

12 (7) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT
13 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME
14 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO
15 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX
16 ADVICE.

17 (8) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2028.

18 **39-22-544. Credit against tax - residential energy storage**
19 **systems - tax preference performance statement - legislative**
20 **declaration - definition - repeal.** (1)(a) IN ACCORDANCE WITH SECTION
21 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX
22 EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT
23 AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL
24 ASSEMBLY HEREBY FINDS AND DECLARES THAT THE PURPOSES OF THE TAX
25 EXPENDITURE CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO:

26 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
27 SPECIFICALLY THE PURCHASE AND INSTALLATION OF RESIDENTIAL ENERGY

1 STORAGE SYSTEMS; AND

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

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

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

13 (a) "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY
14 AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE
15 BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF
16 RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,
17 MECHANICAL, OR OTHER MEANS.

18 (b) "PURCHASE PRICE" MEANS THE AMOUNT ACTUALLY PAID BY
19 THE PURCHASER FOR THE TANGIBLE PERSONAL PROPERTY INSTALLED,
20 INCLUDING CHARGES FOR SALES TAX AND FREIGHT, BUT NOT INCLUDING
21 ANY CHARGES FOR ASSEMBLY, INSTALLATION, OR OTHER CONSTRUCTION
22 SERVICES, OR PERMIT FEES.

23 (c) "PURCHASER" MEANS A TAXPAYER WHO IS THE BUYER OF AN
24 ENERGY STORAGE SYSTEM.

25 (d) "SELLER" MEANS THE ENTITY THAT SELLS AN ENERGY STORAGE
26 SYSTEM.

27 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER

1 JANUARY 1, 2023, BUT BEFORE JANUARY 1, 2025, ANY PURCHASER THAT
2 INSTALLS AN ENERGY STORAGE SYSTEM IN A RESIDENTIAL DWELLING IN
3 THIS STATE IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS
4 ARTICLE 22 IN AN AMOUNT EQUAL TO TEN PERCENT OF THE PURCHASE
5 PRICE PAID BY THE PURCHASER FOR THE ENERGY STORAGE SYSTEM.

6
7 (b) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE
8 INCOME TAX YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS
9 PURCHASED.

10 (4) (a) A PURCHASER MAY ASSIGN THE TAX CREDIT ALLOWED IN
11 THIS SECTION TO THE PURCHASER'S SELLER AS FOLLOWS:

12 (I) THE ASSIGNMENT TO THE SELLER MUST BE COMPLETED AT THE
13 TIME OF PURCHASE OF A NEW ENERGY STORAGE SYSTEM BY ENTERING
14 INTO AN AGREEMENT AS SET FORTH IN SUBSECTION (4)(c) OF THIS
15 SECTION;

16 (II) THE PURCHASER MUST ASSIGN THE TAX CREDIT TO THE SELLER
17 AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE PURCHASER'S
18 TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE CONSIDERATION;
19 AND

20 (III) THE SELLER MUST COMPENSATE THE PURCHASER FOR THE
21 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO
22 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT
23 STATE TAXABLE INCOME.

24 (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER
25 ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS SUBSECTION (4),
26 THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE
27 PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR

1 UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE
2 AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

3 (c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER
4 AND THE SELLER MUST ENTER INTO AN AGREEMENT THAT AFFIRMS THAT
5 THE REQUIREMENTS SPECIFIED IN SUBSECTION (4)(a) OF THIS SECTION
6 WERE MET.

7 (d) THE SELLER MAY AUTHORIZE AN AGENT OR A DESIGNEE TO
8 SIGN THE AGREEMENT ON ITS BEHALF.

9 (e) THE SELLER SHALL ELECTRONICALLY SUBMIT A REPORT
10 CONTAINING THE INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED
11 IN SUBSECTION (4)(c) OF THIS SECTION TO THE DEPARTMENT OF REVENUE
12 WITHIN THIRTY DAYS OF THE PURCHASE OF AN ENERGY STORAGE SYSTEM
13 IN A FORM AND MANNER TO BE DETERMINED BY THE DEPARTMENT.

14 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN
15 SUBSECTION (4)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR
16 THE TAXABLE YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS
17 PURCHASED.

18 (g) THE DEPARTMENT OF REVENUE, IN CONSULTATION WITH THE
19 COLORADO ENERGY OFFICE, SHALL DEVELOP A MODEL REPORT AND
20 AGREEMENT NO LATER THAN DECEMBER 1, 2022.

21 (5) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE
22 INCOME TAX DUE ON THE INCOME OF THE SELLER FOR THE TAXABLE YEAR,
23 THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE
24 REFUNDABLE TO THE SELLER.

25 (6) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT
26 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME
27 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO

1 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX
2 ADVICE.

3 (7) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2028.

4 **SECTION 3.** In Colorado Revised Statutes, 39-22-601, amend
5 (7) as follows:

6 **39-22-601. Returns.** (7) (a) Every person or organization exempt
7 from taxes pursuant to section 39-22-112 shall make and file a return only
8 if said person or organization is required to file a federal return of
9 unrelated business income, which Colorado return shall contain such
10 information as the executive director may prescribe. All procedures of
11 law relating to the determination, assessment, collection, and refund of
12 tax shall apply to such return and the tax payable thereon.

13 (b) THE EXECUTIVE DIRECTOR MAY REQUIRE A PERSON OR
14 ORGANIZATION EXEMPT FROM TAXES PURSUANT TO SECTION 39-22-112 TO
15 MAKE AND FILE A RETURN CONTAINING SUCH INFORMATION AS THE
16 EXECUTIVE DIRECTOR MAY PRESCRIBE TO CLAIM A CREDIT ALLOWED
17 UNDER THIS ARTICLE 22 EVEN IF THE PERSON OR ORGANIZATION DOES NOT
18 HAVE UNRELATED BUSINESS INCOME.

19 (c) ALL PROCEDURES OF LAW RELATING TO THE DETERMINATION,
20 ASSESSMENT, COLLECTION, AND REFUND OF TAX APPLY TO A RETURN
21 MADE AND FILED UNDER THIS SUBSECTION (7) AND THE TAX PAYABLE
22 THEREON, IF ANY.

23 **SECTION 4.** In Colorado Revised Statutes, add 39-26-730,
24 39-26-731, and 39-26-732 as follows:

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

1 DECLARES THAT:

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

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

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

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

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

25 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
26 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
27 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY

1 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND
2 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN
3 SUBSECTION (3) OF THIS SECTION ARE TO:

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

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

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

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

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

1 (f) STRUCTURAL STEEL; AND

2 (g) WOOD STRUCTURAL ELEMENTS.

3 (3) ON AND AFTER JULY 1, 2024, ALL SALES, STORAGE, AND USE OF
4 ELIGIBLE DECARBONIZING BUILDING MATERIALS THAT ARE ON THE LIST OF
5 ELIGIBLE MATERIALS MAINTAINED BY THE OFFICE OF THE STATE
6 ARCHITECT PURSUANT TO SECTION 24-92-117 (7), ARE EXEMPT FROM
7 TAXATION UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

8 (4) BY JANUARY 1, 2024, THE OFFICE OF THE STATE ARCHITECT
9 SHALL PROVIDE THE LIST IT COMPILES AND MAINTAINS PURSUANT TO
10 SECTION 24-92-117 (7) TO THE DEPARTMENT OF REVENUE. BASED ON THE
11 LIST FROM THE OFFICE OF THE STATE ARCHITECT, THE DEPARTMENT SHALL
12 CREATE AND MAINTAIN A DATABASE OF PRODUCTS, INCLUDING THE
13 MANUFACTURERS OF THE PRODUCTS, THAT ARE ELIGIBLE FOR THE SALES
14 AND USE TAX EXEMPTION ALLOWED PURSUANT TO THIS SECTION FOR USE
15 BY ENTITIES THAT SELL DECARBONIZING BUILDING MATERIALS.

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

17 **39-26-731. Heat pump systems - tax preference performance**
18 **statement - legislative declaration - definitions - repeal.** (1) (a) THE
19 GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

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

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

26 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND
27 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS

1 GENERATED IN THE HEATING AND COOLING OF COMMERCIAL AND
2 RESIDENTIAL BUILDINGS BY INSTALLING HEAT PUMP SYSTEMS AND HEAT
3 PUMP WATER HEATERS, WHICH REDUCE NET GREENHOUSE GAS EMISSIONS;

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

9 (V) THE PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT
10 PUMP WATER HEATERS WILL BENEFIT PUBLIC HEALTH IN THE HEATING AND
11 COOLING OF HOMES AND BUSINESSES AND TAKE ADVANTAGE OF LATENT
12 HEAT SOURCES AND AVAILABLE RENEWABLE POWER DURING LOW DEMAND
13 PERIODS.

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

20 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
21 SPECIFICALLY THE PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT
22 PUMP WATER HEATERS; AND

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

25 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
26 MEASURE THE EFFECTIVENESS OF THE EXEMPTION IN ACHIEVING THE
27 PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE

1 NUMBER OF HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS SOLD
2 AND USED IN THE STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE
3 THE STATE AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD
4 ASSIST THE STATE AUDITOR'S MEASUREMENT.

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

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

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

10 (B) HAS A VARIABLE SPEED COMPRESSOR;

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

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

17 (II) "AIR-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE AN ELECTRIC
18 RESISTANCE HEATING ELEMENT OR A DUAL FUEL SYSTEM FOR
19 SUPPLEMENTAL HEAT SO LONG AS:

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

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

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

27 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS

1 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND

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

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

8 (b) (I) "GROUND-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM
9 THAT:

10 (A) IS CERTIFIED TO THE INTERNATIONAL ORGANIZATION FOR
11 STANDARDIZATION'S LATEST STANDARDS;

12 (B) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR
13 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL
14 ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;

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

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

21 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
22 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM
23 REQUIREMENTS.

24 (II) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL
25 FUEL SYSTEM SO LONG AS:

26 (A) THE GROUND-SOURCE HEAT PUMP IS USED AS THE PRIMARY
27 SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT LEAST

- 1 EIGHTY PERCENT OF TOTAL ANNUAL HEATING FOR THE BUILDING;
- 2 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO
- 3 ALL CONDITIONED AREAS OF THE BUILDING;
- 4 (C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY
- 5 RATING OF NINETY PERCENT OR HIGHER;
- 6 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS
- 7 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND
- 8 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED
- 9 ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.
- 10 (III) "GROUND-SOURCE HEAT PUMP SYSTEM" INCLUDES
- 11 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION
- 12 OF A GROUND-SOURCE HEAT PUMP, INCLUDING AN UPGRADED ELECTRICAL
- 13 PANEL IF NECESSARY.
- 14 (IV) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A
- 15 HEAT EXCHANGER FOR WATER HEATING.
- 16 (c) "HEAT PUMP SYSTEM" MEANS AN AIR-SOURCE HEAT PUMP
- 17 SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT
- 18 PUMP SYSTEM, COMBINED WATER-SOURCE AND AIR-SOURCE HEAT PUMP
- 19 SYSTEM, OR VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM.
- 20 (d) (I) "HEAT PUMP WATER HEATER" MEANS AN ELECTRIC WATER
- 21 HEATER THAT USES HEAT PUMP TECHNOLOGY TO TRANSFER HEAT FROM
- 22 THE SURROUNDING AIR TO WATER IN A TANK AND THAT IS CERTIFIED
- 23 PURSUANT TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S
- 24 ENERGY STAR PROGRAM.
- 25 (II) "HEAT PUMP WATER HEATER" MAY INCLUDE:
- 26 (A) AN ELECTRIC RESISTANCE HEATING ELEMENT; AND
- 27 (B) MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE

1 OPERATION OF A HEAT PUMP WATER HEATER, INCLUDING AN UPGRADED
2 ELECTRICAL PANEL IF NECESSARY.

3 (e) (I) "WATER-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM
4 THAT:

5 (A) IS CERTIFIED TO THE INTERNATIONAL ORGANIZATION FOR
6 STANDARDIZATION'S LATEST STANDARDS;

7 (B) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR
8 EMPLOYEE OF A GAS OR WASTEWATER UTILITY IN ACCORDANCE WITH THE
9 NATIONAL ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;

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

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

16 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
17 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND
18 WASTEWATER SYSTEM REQUIREMENTS.

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

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

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

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

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

3 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS WHO ARE TRAINED
4 IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

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

8 (f) (I) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" MEANS
9 A SYSTEM THAT:

10 (A) IS CERTIFIED TO THE INTERNATIONAL ORGANIZATION FOR
11 STANDARDIZATION'S LATEST STANDARDS;

12 (B) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR
13 EMPLOYEE OF A GAS OR WASTEWATER UTILITY IN ACCORDANCE WITH THE
14 NATIONAL ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;

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

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

21 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
22 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND
23 WASTEWATER SYSTEM REQUIREMENTS.

24 (II) "VARIABLE REFRIGERANT FLOW SYSTEM" MAY INCLUDE A
25 DUAL FUEL SYSTEM SO LONG AS:

26 (A) THE VARIABLE REFRIGERANT FLOW SYSTEM IS USED AS THE
27 PRIMARY SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT

1 LEAST EIGHTY PERCENT OF THE TOTAL ANNUAL HEATING FOR THE
2 BUILDING;

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

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

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

9 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS WHO ARE TRAINED
10 IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

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

14 (3) ON AND AFTER JANUARY 1, 2023, SUBJECT TO THE PROVISIONS
15 OF SUBSECTION (4) OF THIS SECTION, ALL SALES, STORAGE, AND USE OF
16 HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS THAT ARE USED IN
17 COMMERCIAL OR RESIDENTIAL BUILDINGS ARE EXEMPT FROM TAXATION
18 UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

19 (4)(a)(I) TO BE ELIGIBLE FOR THE SALES AND USE TAX EXEMPTION
20 PURSUANT TO THIS SECTION, THE PURCHASER OF A HEAT PUMP SYSTEM OR
21 HEAT PUMP WATER HEATER SHALL CERTIFY, AS SPECIFIED IN SUBSECTION
22 (4)(b) OF THIS SECTION, THAT ALL NECESSARY MECHANICAL, PLUMBING,
23 AND ELECTRICAL WORK PERFORMED IN CONNECTION WITH THE
24 INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER IN
25 A NEW OR EXISTING INDUSTRIAL, COMMERCIAL, OR MULTIFAMILY
26 RESIDENTIAL BUILDING CONTAINING TWENTY THOUSAND SQUARE FEET OR
27 MORE OF CONDITIONED FLOOR SPACE WILL BE PERFORMED BY A

1 CONTRACTOR ON THE CERTIFIED CONTRACTOR LIST CREATED PURSUANT
2 TO SECTION 40-3.2-105.6 (3)(a), OR BY EMPLOYEES OF A UTILITY, SUBJECT
3 TO STATE LICENSING REQUIREMENTS AND ALL APPLICABLE STATE AND
4 LOCAL RULES, CODES, AND STANDARDS.

5 (II) THE REQUIREMENTS OF THIS SUBSECTION (4)(a) DO NOT APPLY
6 TO THE INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER
7 HEATER THAT IS LIMITED TO IN-UNIT WORK IN A MULTIFAMILY BUILDING
8 OR UNIT AND THAT IS INITIATED BY THE OWNER OR TENANT OF THE
9 MULTIFAMILY BUILDING OR UNIT.

10 (b) THE PURCHASER SHALL CERTIFY, IN A FORM AND MANNER TO
11 BE DETERMINED BY THE DEPARTMENT OF REVENUE, THAT THE HEAT PUMP
12 SYSTEM OR HEAT PUMP WATER HEATER WILL BE INSTALLED IN
13 ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (4)(a) OF THIS
14 SECTION, IF APPLICABLE.

15 (5) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2033.

16 **39-26-732. Residential energy storage systems - tax preference**
17 **performance statement - legislative declaration - definition - repeal.**

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

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

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

1 GOALS.

2 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
3 MEASURE THE EFFECTIVENESS OF THE TAX EXEMPTION IN ACHIEVING THE
4 PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE
5 NUMBER OF RESIDENTIAL ENERGY STORAGE SYSTEMS SOLD AND USED IN
6 THE STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE THE STATE
7 AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD ASSIST THE
8 STATE AUDITOR'S MEASUREMENT.

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

15 (3) ON AND AFTER JANUARY 1, 2023, ALL SALES, STORAGE, AND
16 USE OF ENERGY STORAGE SYSTEMS THAT ARE USED IN A RESIDENTIAL
17 DWELLING ARE EXEMPT FROM TAXATION UNDER PARTS 1 AND 2 OF THIS
18 ARTICLE 26.

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

20 **SECTION 5.** In Colorado Revised Statutes, **add 40-3-119** as
21 follows:

22 **40-3-119. Measurement of use for billing - rules.** AFTER
23 JANUARY 1, 2023, AN INVESTOR-OWNED GAS UTILITY, AT ITS DISCRETION,
24 MAY APPLY TO THE COMMISSION FOR APPROVAL TO MEASURE THE AMOUNT
25 OF USE FOR BILLING PURPOSES IN EITHER FUEL COMMODITY UNITS OR FOR
26 ENERGY SERVICES PROVIDED. UPON RECEIPT OF THE UTILITY'S
27 APPLICATION, THE COMMISSION SHALL APPROVE, DENY, OR MODIFY THE

1 UTILITY'S APPLICATION FOR MEASUREMENT OF USE FOR BILLING PURPOSES
2 PURSUANT TO THIS SECTION.

3 **SECTION 6.** In Colorado Revised Statutes, 29-2-105, **add**
4 (1)(d)(I)(Q), (1)(d)(I)(R), and (1)(d)(I)(S) as follows:

5 **29-2-105. Contents of sales tax ordinances and proposals.**

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

12 (d) (I) A provision that the sale of tangible personal property and
13 services taxable pursuant to this article 2 shall be the same as the sale of
14 tangible personal property and services taxable pursuant to section
15 39-26-104, except as otherwise provided in this subsection (1)(d). The
16 sale of tangible personal property and services taxable pursuant to this
17 article 2 shall be subject to the same sales tax exemptions as those
18 specified in part 7 of article 26 of title 39; except that the sale of the
19 following may be exempted from a town, city, or county sales tax only by
20 the express inclusion of the exemption either at the time of adoption of
21 the initial sales tax ordinance or resolution or by amendment thereto:

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

24 (R) THE EXEMPTION FOR SALES OF HEAT PUMP SYSTEMS AND HEAT
25 PUMP WATER HEATERS SET FORTH IN SECTION 39-26-731; AND

26 (S) THE EXEMPTION FOR SALES OF ENERGY STORAGE SYSTEMS SET
27 FORTH IN SECTION 39-26-732.

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

3 **29-2-109. Contents of use tax ordinances and proposals -**
4 **repeal.** (1) The use tax ordinance, resolution, or proposal of any town,
5 city, or county adopted pursuant to this article 2 shall be imposed only for
6 the privilege of using or consuming in the town, city, or county any
7 construction and building materials purchased at retail or for the privilege
8 of storing, using, or consuming in the town, city, or county any motor and
9 other vehicles, purchased at retail on which registration is required, or
10 both. For the purposes of this subsection (1), the term "construction and
11 building materials" shall not include parts or materials utilized in the
12 fabrication, construction, assembly, or installation of passenger tramways,
13 as defined in section 12-150-103 (5), by any ski area operator, as defined
14 in section 33-44-103 (7), or any person fabricating, constructing,
15 assembling, or installing a passenger tramway for a ski area operator. The
16 ordinance, resolution, or proposal may recite that the use tax shall not
17 apply to the storage and use of wood from salvaged trees killed or
18 infested in Colorado by mountain pine beetles or spruce beetles as
19 exempted from the state use tax pursuant to section 39-26-723. The
20 ordinance, resolution, or proposal may recite that the use tax shall not
21 apply to the storage and use of components used in the production of
22 energy, including but not limited to alternating current electricity, from
23 a renewable energy source, as exempted from the state use tax pursuant
24 to section 39-26-724. THE ORDINANCE, RESOLUTION, OR PROPOSAL MAY
25 RECITE THAT THE USE TAX SHALL NOT APPLY TO THE STORAGE AND USE OF
26 ELIGIBLE DECARBONIZING BUILDING MATERIALS, AS EXEMPTED FROM THE
27 STATE USE TAX PURSUANT TO SECTION 39-26-730. The ordinance,

1 resolution, or proposal shall recite that the use tax shall not apply:

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