

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

**PREAMENDED**

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

LLS NO. 22-0675.01 Nicole Myers x4326

**SENATE BILL 22-051**

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**SENATE SPONSORSHIP**

**Hansen,**

**HOUSE SPONSORSHIP**

**Sirota,**

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**Senate Committees**

Transportation & Energy  
Finance  
Appropriations

**House Committees**

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**A BILL FOR AN ACT**

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

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**Bill Summary**

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

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.

"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.

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

2           \_\_\_\_\_ SECTION 1. In Colorado Revised Statutes, add  
3 39-22-543 and 39-22-544 as follows:

4           **39-22-543. Credit against tax - \_\_\_\_\_ heat pump systems - heat**  
5 **pump water heaters - tax preference performance statement -**  
6 **legislative declaration - definitions - repeal. (1) (a) THE GENERAL**

7 ASSEMBLY HEREBY FINDS AND DECLARES THAT:

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

11           (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED IN THE  
12 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR  
13 RESIDENTIAL BUILDINGS;

14           (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND  
15 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS  
16 GENERATED IN THE HEATING AND COOLING OF RESIDENTIAL BUILDINGS BY  
17 INSTALLING \_\_\_\_\_ HEAT PUMP SYSTEMS OR HEAT PUMP WATER HEATERS,  
18 WHICH REDUCE NET GREENHOUSE GAS EMISSIONS;

19           (IV) PROVIDING AN INCOME TAX CREDIT FOR \_\_\_\_\_ HEAT PUMP  
20 SYSTEMS AND HEAT PUMP WATER HEATERS WILL ENCOURAGE BUSINESSES

1 AND INDIVIDUALS TO PURCHASE AND USE \_\_\_ HEAT PUMP SYSTEMS RATHER  
2 THAN TRADITIONAL HEATING AND COOLING METHODS; AND

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

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

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

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

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

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

1     REQUIRES:

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

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

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

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

11            (e) "PURCHASER" MEANS A TAXPAYER WHO IS THE BUYER OF A  
12    HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER.

13            (f) "SELLER" MEANS THE ENTITY THAT SELLS A HEAT PUMP SYSTEM  
14    OR HEAT PUMP WATER HEATER TO A PURCHASER.

15            (g) "WATER-SOURCE HEAT PUMP SYSTEM" HAS THE SAME  
16    MEANING SET FORTH IN SECTION 39-26-731 (2)(e).

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

19            (3) (a) SUBJECT TO THE PROVISIONS OF SUBSECTION (4) OF THIS  
20    SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
21    1, 2023, BUT BEFORE JANUARY 1, 2033, ANY PURCHASER THAT INSTALLS  
22    A RESIDENTIAL OR COMMERCIAL HEAT PUMP SYSTEM OR THAT INSTALLS  
23    A RESIDENTIAL OR COMMERCIAL HEAT PUMP WATER HEATER IS ALLOWED  
24    A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT  
25    EQUAL TO TEN PERCENT OF THE PURCHASE PRICE OF THE HEAT PUMP  
26    SYSTEM OR HEAT PUMP WATER HEATER.

27            (b) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE

1 INCOME TAX YEAR IN WHICH THE HEAT PUMP SYSTEM OR HEAT PUMP  
2 WATER HEATER IS PURCHASED.

3 (4) (a) (I) TO BE ELIGIBLE TO CLAIM A TAX CREDIT PURSUANT TO  
4 THIS SECTION, THE PURCHASER SHALL CERTIFY, AS SPECIFIED IN  
5 SUBSECTION (4)(b) OF THIS SECTION, THAT ALL NECESSARY MECHANICAL,  
6 PLUMBING, AND ELECTRICAL WORK PERFORMED IN CONNECTION WITH THE  
7 INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER IN  
8 A NEW OR EXISTING INDUSTRIAL, COMMERCIAL, OR MULTIFAMILY  
9 RESIDENTIAL BUILDING CONTAINING TWENTY THOUSAND SQUARE FEET OR  
10 MORE OF CONDITIONED FLOOR SPACE WAS OR WILL BE PERFORMED BY A  
11 CONTRACTOR ON THE CERTIFIED CONTRACTOR LIST CREATED PURSUANT  
12 TO SECTION 40-3.2-105.6 (3)(a), OR BY EMPLOYEES OF A UTILITY, SUBJECT  
13 TO STATE LICENSING REQUIREMENTS AND ALL APPLICABLE STATE AND  
14 LOCAL RULES, CODES, AND STANDARDS.

15 (II) THE REQUIREMENTS OF THIS SUBSECTION (4)(a) DO NOT APPLY  
16 TO THE INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER  
17 HEATHER THAT IS LIMITED TO IN-UNIT WORK IN A MULTIFAMILY BUILDING  
18 OR UNIT AND THAT IS INITIATED BY THE OWNER OR TENANT OF THE  
19 MULTIFAMILY BUILDING OR UNIT.

20 (b) THE PURCHASER SHALL CERTIFY, IN A FORM AND MANNER TO  
21 BE DETERMINED BY THE DEPARTMENT OF REVENUE, THAT THE HEAT PUMP  
22 SYSTEM OR HEAT PUMP WATER HEATER WAS OR WILL BE INSTALLED IN  
23 ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (4)(a) OF THIS  
24 SECTION, IF APPLICABLE. THE SELLER SHALL PROVIDE THE CERTIFICATION  
25 TO THE TAXPAYER FOR THE PURPOSES OF SUBSECTION (5) OF THIS SECTION.

26 (5) (a) A PURCHASER SHALL ASSIGN THE TAX CREDIT ALLOWED IN  
27 THIS SECTION TO THE PURCHASER'S SELLER AS FOLLOWS:

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

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

9           (III) THE PURCHASER SHALL ASSIGN THE TAX CREDIT TO THE  
10 SELLER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE  
11 PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE  
12 CONSIDERATION; AND

13           (IV) THE SELLER SHALL COMPENSATE THE PURCHASER FOR THE  
14 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO  
15 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT  
16 STATE TAXABLE INCOME.

17           (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER  
18 ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS SUBSECTION (5),  
19 THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE  
20 PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR  
21 UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE  
22 AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

23           (c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER  
24 AND THE SELLER SHALL ENTER INTO AN AGREEMENT THAT:

25           (I) INCLUDES THE PURCHASER'S WRITTEN CERTIFICATION TO  
26 COMPLY WITH THE PROVISIONS REGARDING INSTALLATION OF THE HEAT  
27 PUMP SYSTEM OR HEAT PUMP WATER HEATER SPECIFIED IN SUBSECTION (4)

1 OF THIS SECTION, IF APPLICABLE; AND

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

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

6 (e) THE SELLER SHALL ELECTRONICALLY SUBMIT A REPORT  
7 CONTAINING THE INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED  
8 IN SUBSECTION (5)(c) OF THIS SECTION TO THE DEPARTMENT OF REVENUE  
9 WITHIN THIRTY DAYS OF THE PURCHASE OF A HEAT PUMP SYSTEM OR HEAT  
10 PUMP WATER HEATER IN A FORM AND MANNER TO BE DETERMINED BY THE  
11 DEPARTMENT.

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

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

19 (6) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE  
20 INCOME TAX DUE ON THE INCOME OF THE PURCHASER FOR THE TAXABLE  
21 YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE  
22 REFUNDABLE TO THE TAXPAYER AND PAID TO THE SELLER TO WHICH THE  
23 TAXPAYER ASSIGNED THE CREDIT.

24 (7) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT  
25 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME  
26 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO  
27 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX

1 ADVICE.

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

3 **39-22-544. Credit against tax - residential energy storage**  
4 **systems - tax preference performance statement - legislative**  
5 **declaration - definition - repeal.** (1) (a) IN ACCORDANCE WITH SECTION  
6 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX  
7 EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT  
8 AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL  
9 ASSEMBLY HEREBY FINDS AND DECLARES THAT THE PURPOSES OF THE TAX  
10 EXPENDITURE CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO:

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

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

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

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

25 (a) "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY  
26 AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE  
27 BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF



1 RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,  
2 MECHANICAL, OR OTHER MEANS.

3 (b) "PURCHASER" MEANS A TAXPAYER WHO IS THE BUYER OF AN  
4 ENERGY STORAGE SYSTEM.

5 (c) "SELLER" MEANS THE ENTITY THAT SELLS AN ENERGY STORAGE  
6 SYSTEM.

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

13 (b) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE  
14 INCOME TAX YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS  
15 PURCHASED.

16 (4) (a) A PURCHASER SHALL ASSIGN THE TAX CREDIT ALLOWED IN  
17 THIS SECTION TO THE PURCHASER'S SELLER AS FOLLOWS:

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

22 (II) THE PURCHASER SHALL ASSIGN THE TAX CREDIT TO THE  
23 SELLER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE  
24 PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE  
25 CONSIDERATION; AND

26 (III) THE SELLER SHALL COMPENSATE THE PURCHASER FOR THE  
27 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO

1 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT  
2 STATE TAXABLE INCOME.

3 (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER  
4 ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS SUBSECTION (4),  
5 THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE  
6 PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR  
7 UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE  
8 AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

9 (c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER  
10 AND THE SELLER SHALL ENTER INTO AN AGREEMENT THAT AFFIRMS THAT  
11 THE REQUIREMENTS SPECIFIED IN SUBSECTION (4)(a) OF THIS SECTION  
12 WERE MET.

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

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

20 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN  
21 SUBSECTION (4)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR  
22 THE TAXABLE YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS  
23 PURCHASED.

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

27 (5) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE

1 INCOME TAX DUE ON THE INCOME OF THE PURCHASER FOR THE TAXABLE  
2 YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE  
3 REFUNDABLE TO THE TAXPAYER AND PAID TO THE SELLER TO WHICH THE  
4 TAXPAYER ASSIGNED THE CREDIT.

5 (6) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT  
6 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME  
7 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO  
8 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX  
9 ADVICE.

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

11 **SECTION 2.** In Colorado Revised Statutes, **add 39-26-730,**  
12 **39-26-731, and 39-26-732** as follows:

13 **39-26-730. Eligible decarbonizing building materials - tax**  
14 **preference performance statement - legislative declaration -**  
15 **definition - repeal.** (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND  
16 DECLARES THAT:

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

20 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED DURING THE  
21 MANUFACTURE AND TRANSPORT OF BUILDING MATERIALS USED IN  
22 CONSTRUCTION PROJECTS;

23 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND  
24 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS IN  
25 CONSTRUCTION PROJECTS BY PURCHASING AND USING ELIGIBLE  
26 DECARBONIZING BUILDING MATERIALS, WHICH ARE BUILDING MATERIALS  
27 WITH A MAXIMUM ACCEPTABLE GLOBAL WARMING POTENTIAL AS

1 DETERMINED BY THE OFFICE OF THE STATE ARCHITECT;

2 (IV) PROVIDING A SALES AND USE TAX EXEMPTION FOR ELIGIBLE  
3 DECARBONIZING BUILDING MATERIALS WILL ENCOURAGE BUSINESSES AND  
4 INDIVIDUALS TO PURCHASE AND USE THOSE BUILDING MATERIALS RATHER  
5 THAN INDUSTRY STANDARD MATERIALS; AND

6 (V) THE PURCHASE AND USE OF ELIGIBLE DECARBONIZING  
7 BUILDING MATERIALS WILL HELP IMPROVE ENVIRONMENTAL OUTCOMES  
8 AND ACCELERATE NECESSARY GREENHOUSE GAS REDUCTIONS TO PROTECT  
9 PUBLIC HEALTH AND THE ENVIRONMENT AND CONSERVE A LIVABLE  
10 CLIMATE BY INCORPORATING EMISSIONS INFORMATION FROM  
11 THROUGHOUT THE SUPPLY CHAIN AND PRODUCT LIFE CYCLE INTO  
12 BUILDING MATERIAL PURCHASING AND USE DECISIONS.

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

19 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
20 SPECIFICALLY THE PURCHASE AND USE OF ELIGIBLE DECARBONIZING  
21 BUILDING MATERIALS; AND

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

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

1 USED IN THE STATE. THE COLORADO ENERGY OFFICE AND OFFICE OF THE  
2 STATE ARCHITECT SHALL PROVIDE THE STATE AUDITOR WITH ANY  
3 AVAILABLE INFORMATION THAT WOULD ASSIST THE STATE AUDITOR'S  
4 MEASUREMENT.

5 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
6 REQUIRES, "ELIGIBLE DECARBONIZING BUILDING MATERIALS" MEANS  
7 BUILDING MATERIALS THAT HAVE A MAXIMUM ACCEPTABLE GLOBAL  
8 WARMING POTENTIAL AS DETERMINED BY THE OFFICE OF THE STATE  
9 ARCHITECT PURSUANT TO SECTION 24-92-117. "ELIGIBLE DECARBONIZING  
10 BUILDING MATERIALS" INCLUDES:

- 11 (a) ASPHALT AND ASPHALT MIXTURES;
- 12 (b) CEMENT AND CONCRETE MIXTURES;
- 13 (c) GLASS;
- 14 (d) POST-TENSION STEEL;
- 15 (e) REINFORCING STEEL;
- 16 (f) STRUCTURAL STEEL; AND
- 17 (g) WOOD STRUCTURAL ELEMENTS.

18 (3) ON AND AFTER JULY 1, 2024, ALL SALES, STORAGE, AND USE OF  
19 ELIGIBLE DECARBONIZING BUILDING MATERIALS ARE EXEMPT FROM  
20 TAXATION UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

21 (4) BY JANUARY 1, 2024, THE OFFICE OF THE STATE ARCHITECT  
22 SHALL SUBMIT ITS POLICY REGARDING THE MAXIMUM ACCEPTABLE  
23 GLOBAL WARMING POTENTIAL FOR BUILDING MATERIALS ESTABLISHED  
24 PURSUANT TO SECTION 24-92-117 TO THE DEPARTMENT OF REVENUE FOR  
25 THE DEPARTMENT'S USE IN ITS SALES AND USE TAX POLICIES. IF THE OFFICE  
26 OF THE STATE ARCHITECT ADJUSTS THE MAXIMUM ACCEPTABLE GLOBAL  
27 WARMING POTENTIAL FOR ANY CATEGORY OF BUILDING MATERIALS

1 PURSUANT TO SECTION 24-92-117 (3)(c), THE OFFICE SHALL PROVIDE ITS  
2 UPDATED POLICY TO THE DEPARTMENT AS SOON AS PRACTICABLE.

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

4 **39-26-731. Heat pump systems - tax preference performance**  
5 **statement - legislative declaration - definitions - repeal.** (1) (a) THE  
6 GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

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

10 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED IN THE  
11 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR  
12 COMMERCIAL AND RESIDENTIAL BUILDINGS;

13 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND  
14 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS  
15 GENERATED IN THE HEATING AND COOLING OF COMMERCIAL AND  
16 RESIDENTIAL BUILDINGS BY INSTALLING HEAT PUMP SYSTEMS AND HEAT  
17 PUMP WATER HEATERS, WHICH REDUCE NET GREENHOUSE GAS EMISSIONS;

18 (IV) PROVIDING A SALES AND USE TAX EXEMPTION FOR HEAT PUMP  
19 SYSTEMS AND HEAT PUMP WATER HEATERS WILL ENCOURAGE BUSINESSES  
20 AND INDIVIDUALS TO PURCHASE AND USE THOSE HEAT PUMP SYSTEMS  
21 RATHER THAN TRADITIONAL HEATING AND COOLING METHODS; AND

22 (V) THE PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT  
23 PUMP WATER HEATERS WILL BENEFIT PUBLIC HEALTH IN THE HEATING AND  
24 COOLING OF HOMES AND BUSINESSES AND TAKE ADVANTAGE OF LATENT  
25 HEAT SOURCES AND AVAILABLE RENEWABLE POWER DURING LOW DEMAND  
26 PERIODS.

27 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH

1 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE  
2 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY  
3 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND  
4 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN  
5 SUBSECTION (3) OF THIS SECTION ARE TO:

6 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
7 SPECIFICALLY THE PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT  
8 PUMP WATER HEATERS; AND

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

11 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL  
12 MEASURE THE EFFECTIVENESS OF THE EXEMPTION IN ACHIEVING THE  
13 PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE  
14 NUMBER OF HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS SOLD  
15 AND USED IN THE STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE  
16 THE STATE AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD  
17 ASSIST THE STATE AUDITOR'S MEASUREMENT.

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

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

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

23 (B) HAS A VARIABLE SPEED COMPRESSOR;

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

27 (D) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR

1 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL  
2 ELECTRICAL CODE AND THE MANUFACTURER'S SPECIFICATIONS.

3 (II) "AIR-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL FUEL  
4 SYSTEM SO LONG AS:

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

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

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

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

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

16 (b) (I) "GROUND-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM  
17 THAT:

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

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

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

25 (D) HAS BLOWERS THAT ARE \_\_\_\_\_ VARIABLE SPEED,  
26 HIGH-EFFICIENCY MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS  
27 LISTED IN THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION



1 MG1-1993 PUBLICATION; AND

2 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER  
3 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM  
4 REQUIREMENTS.

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

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

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

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

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

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

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

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

23 (c) "HEAT PUMP SYSTEM" MEANS AN AIR-SOURCE HEAT PUMP  
24 SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT  
25 PUMP SYSTEM, OR VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM.

26 (d) (I) "HEAT PUMP WATER HEATER" MEANS AN ELECTRIC WATER  
27 HEATER THAT USES HEAT PUMP TECHNOLOGY TO TRANSFER HEAT FROM

1 THE SURROUNDING AIR TO WATER IN A TANK AND THAT IS CERTIFIED  
2 PURSUANT TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S  
3 ENERGY STAR PROGRAM.

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

5 (A) AN ELECTRIC RESISTANCE HEATING ELEMENT; AND

6 (B) MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE  
7 OPERATION OF A HEAT PUMP WATER HEATER.

8 (e) (I) "WATER-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, HIGH-EFFICIENCY  
18 MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE  
19 NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MG1-1993  
20 PUBLICATION; AND

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

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

26 (A) THE WATER-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 THE 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 WHO ARE TRAINED  
9 IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.  
10 (III) "WATER-SOURCE HEAT PUMP SYSTEM" INCLUDES  
11 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION  
12 OF A WATER-SOURCE HEAT PUMP.  
13 (f) (I) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" MEANS  
14 A SYSTEM THAT:  
15 (A) IS CERTIFIED TO THE INTERNATIONAL ORGANIZATION FOR  
16 STANDARDIZATION'S LATEST STANDARDS;  
17 (B) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR  
18 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL  
19 ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;  
20 (C) CONFORMS TO ALL APPLICABLE MUNICIPAL, STATE, AND  
21 FEDERAL CODES, STANDARDS, REGULATIONS, AND CERTIFICATIONS;  
22 (D) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY  
23 MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE  
24 NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MGI-1993  
25 PUBLICATION; AND  
26 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER  
27 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM

1 REQUIREMENTS.

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

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

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

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

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

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

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

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

24 (4) (a) (I) TO BE ELIGIBLE FOR THE SALES AND USE TAX EXEMPTION  
25 PURSUANT TO THIS SECTION, THE PURCHASER OF A HEAT PUMP SYSTEM OR  
26 HEAT PUMP WATER HEATER SHALL CERTIFY, AS SPECIFIED IN SUBSECTION  
27 (4)(b) OF THIS SECTION, THAT ALL NECESSARY MECHANICAL, PLUMBING,

1 AND ELECTRICAL WORK PERFORMED IN CONNECTION WITH THE  
2 INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER IN  
3 A NEW OR EXISTING INDUSTRIAL, COMMERCIAL, OR MULTIFAMILY  
4 RESIDENTIAL BUILDING CONTAINING TWENTY THOUSAND SQUARE FEET OR  
5 MORE OF CONDITIONED FLOOR SPACE WILL BE PERFORMED BY A  
6 CONTRACTOR ON THE CERTIFIED CONTRACTOR LIST CREATED PURSUANT  
7 TO SECTION 40-3.2-105.6 (3)(a), OR BY EMPLOYEES OF A UTILITY, SUBJECT  
8 TO STATE LICENSING REQUIREMENTS AND ALL APPLICABLE STATE AND  
9 LOCAL RULES, CODES, AND STANDARDS.

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

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

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

21 **39-26-732. Residential energy storage systems - tax preference**  
22 **performance statement - legislative declaration - definition - repeal.**

23 (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES  
24 EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX  
25 PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY  
26 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND  
27 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN

1 SUBSECTION (3) OF THIS SECTION ARE TO:

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

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

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

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

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

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

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

27 40-3-119. Measurement of use for billing - rules. AFTER

1 JANUARY 1, 2023, AN INVESTOR-OWNED GAS UTILITY, AT ITS DISCRETION,  
2 MAY APPLY TO THE COMMISSION FOR APPROVAL TO MEASURE THE AMOUNT  
3 OF USE FOR BILLING PURPOSES IN EITHER FUEL COMMODITY UNITS OR FOR  
4 ENERGY SERVICES PROVIDED. UPON RECEIPT OF THE UTILITY'S  
5 APPLICATION, THE COMMISSION SHALL APPROVE, DENY, OR MODIFY THE  
6 UTILITY'S APPLICATION FOR MEASUREMENT OF USE FOR BILLING PURPOSES  
7 PURSUANT TO THIS SECTION.

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

10 **29-2-105. Contents of sales tax ordinances and proposals.**

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

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

27 (Q) THE EXEMPTION FOR SALES OF ELIGIBLE DECARBONIZING

1 BUILDING MATERIALS SET FORTH IN SECTION 39-26-730;     

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

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

6 **SECTION 5.** In Colorado Revised Statutes, 29-2-109, **amend** (1)  
7 introductory portion as follows:

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



1 a renewable energy source, as exempted from the state use tax pursuant  
2 to section 39-26-724. THE ORDINANCE, RESOLUTION, OR PROPOSAL MAY  
3 RECITE THAT THE USE TAX SHALL NOT APPLY TO THE STORAGE AND USE OF  
4 ELIGIBLE DECARBONIZING BUILDING MATERIALS, AS EXEMPTED FROM THE  
5 STATE USE TAX PURSUANT TO SECTION 39-26-730. The ordinance,  
6 resolution, or proposal shall recite that the use tax shall not apply:

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