

**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

SENATE SPONSORSHIP

Hansen,

HOUSE SPONSORSHIP

Sirota,

Senate Committees

Transportation & Energy
Finance
Appropriations

House Committees

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.

"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.

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 AND
2 HEAT PUMP WATER HEATERS RATHER THAN TRADITIONAL HEATING AND
3 COOLING METHODS; AND

4 (V) THE PURCHASE AND USE OF ___ HEAT PUMP SYSTEMS AND HEAT
5 PUMP WATER HEATERS WILL BENEFIT PUBLIC HEALTH IN THE HEATING AND
6 COOLING OF HOMES AND BUSINESSES ___ 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)(d).

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

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

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

20 (h) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX UNDER THIS
21 ARTICLE 22, OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE WHO
22 IS EXEMPT FROM TAX UNDER SECTION 39-22-112 (1), BUT DOES NOT
23 INCLUDE INSURANCE COMPANIES SUBJECT TO THE TAX IMPOSED ON GROSS
24 PREMIUMS BY SECTION 10-3-209. FOR PURPOSES OF THIS SECTION, A
25 PERSON OR POLITICAL SUBDIVISION OF THIS STATE WHO IS EXEMPT FROM
26 TAX UNDER SECTION 39-22-112 (1) IS A TAXPAYER EVEN IF THE PERSON OR
27 POLITICAL SUBDIVISION HAS NO UNRELATED BUSINESS INCOME.

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

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

5 (3) (a) SUBJECT TO THE PROVISIONS OF SUBSECTION (4) OF THIS
6 SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
7 1, 2023, BUT BEFORE JANUARY 1, 2033, ANY PURCHASER THAT INSTALLS
8 A RESIDENTIAL OR COMMERCIAL HEAT PUMP SYSTEM INTO REAL PROPERTY
9 IN THIS STATE OR THAT INSTALLS A RESIDENTIAL OR COMMERCIAL HEAT
10 PUMP WATER HEATER INTO REAL PROPERTY IN THIS STATE IS ALLOWED A
11 CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT
12 EQUAL TO TEN PERCENT OF THE PURCHASE PRICE PAID BY THE PURCHASER
13 FOR THE HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER.

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

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

1 LOCAL RULES, CODES, AND STANDARDS.

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN

1 SUBSECTION (5)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR
2 THE TAXABLE YEAR IN WHICH THE HEAT PUMP SYSTEM OR HEAT PUMP
3 WATER HEATER IS PURCHASED.

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

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

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

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

17 **39-22-544. Credit against tax - residential energy storage**
18 **systems - tax preference performance statement - legislative**
19 **declaration - definition - repeal.** (1) (a) IN ACCORDANCE WITH SECTION
20 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX
21 EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT
22 AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL
23 ASSEMBLY HEREBY FINDS AND DECLARES THAT THE PURPOSES OF THE TAX
24 EXPENDITURE CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO:

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

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

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

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

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

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

19 (c) "SELLER" MEANS THE ENTITY THAT SELLS AN ENERGY STORAGE
20 SYSTEM.

21 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
22 JANUARY 1, 2023, BUT BEFORE JANUARY 1, 2033, ANY PURCHASER THAT
23 INSTALLS AN ENERGY STORAGE SYSTEM IN A RESIDENTIAL DWELLING IN
24 THIS STATE IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS
25 ARTICLE 22 IN AN AMOUNT EQUAL TO TEN PERCENT OF THE PURCHASE
26 PRICE PAID BY THE PURCHASER FOR THE ENERGY STORAGE SYSTEM.

27 (b) "PURCHASE PRICE" MEANS THE AMOUNT ACTUALLY PAID BY

1 THE PURCHASER FOR THE TANGIBLE PERSONAL PROPERTY INSTALLED,
2 INCLUDING CHARGES FOR SALES TAX AND FREIGHT, BUT NOT INCLUDING
3 ANY CHARGES FOR ASSEMBLY, INSTALLATION, OR OTHER CONSTRUCTION
4 SERVICES, OR PERMIT FEES.

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

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

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

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

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

22 (b) NOTWITHSTANDING SECTION 39-21-108 (3), WHEN A
23 PURCHASER ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS
24 SUBSECTION (4), THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX
25 CREDIT THAT THE PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID
26 BALANCE OR UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED
27 FROM THE AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

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

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

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

12 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN
13 SUBSECTION (4)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR
14 THE TAXABLE YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS
15 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 (5) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE
20 INCOME TAX DUE ON THE INCOME OF THE SELLER FOR THE TAXABLE YEAR,
21 THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE
22 REFUNDABLE TO THE SELLER.

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

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

2 SECTION 2. In Colorado Revised Statutes, 39-22-601, **amend**

3 (7) as follows:

4 **39-22-601. Returns.** (7) (a) Every person or organization exempt
5 from taxes pursuant to section 39-22-112 shall make and file a return only
6 if said person or organization is required to file a federal return of
7 unrelated business income, which Colorado return shall contain such
8 information as the executive director may prescribe. All procedures of
9 law relating to the determination, assessment, collection, and refund of
10 tax shall apply to such return and the tax payable thereon.

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

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

21 SECTION 3. In Colorado Revised Statutes, **add** 39-26-730,
22 39-26-731, and 39-26-732 as follows:

23 **39-26-730. Eligible decarbonizing building materials - tax**
24 **preference performance statement - legislative declaration -**
25 **definition - repeal.** (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND
26 DECLARES THAT:

27 (I) THE GENERAL ASSEMBLY HAS COMMITTED TO REDUCE

1 GREENHOUSE GASES THROUGH NUMEROUS POLICY AND REGULATORY
2 MEASURES TO MEET THE GOALS ESTABLISHED IN 2019;

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

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

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

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

23 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
24 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
25 A TAX 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 USE OF ELIGIBLE DECARBONIZING
4 BUILDING MATERIALS; AND

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

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

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

- 21 (a) ASPHALT AND ASPHALT MIXTURES;
- 22 (b) CEMENT AND CONCRETE MIXTURES;
- 23 (c) GLASS;
- 24 (d) POST-TENSION STEEL;
- 25 (e) REINFORCING STEEL;
- 26 (f) STRUCTURAL STEEL; AND
- 27 (g) WOOD STRUCTURAL ELEMENTS.

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

4 (4) BY JANUARY 1, 2024, THE OFFICE OF THE STATE ARCHITECT
5 SHALL SUBMIT ITS POLICY REGARDING THE MAXIMUM ACCEPTABLE
6 GLOBAL WARMING POTENTIAL FOR BUILDING MATERIALS ESTABLISHED
7 PURSUANT TO SECTION 24-92-117 TO THE DEPARTMENT OF REVENUE FOR
8 THE DEPARTMENT'S USE IN ITS SALES AND USE TAX POLICIES. IF THE OFFICE
9 OF THE STATE ARCHITECT ADJUSTS THE MAXIMUM ACCEPTABLE GLOBAL
10 WARMING POTENTIAL FOR ANY CATEGORY OF BUILDING MATERIALS
11 PURSUANT TO SECTION 24-92-117 (3)(c), THE OFFICE SHALL PROVIDE ITS
12 UPDATED POLICY TO THE DEPARTMENT AS SOON AS PRACTICABLE.

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

14 **39-26-731. Heat pump systems - tax preference performance**
15 **statement - legislative declaration - definitions - repeal.** (1) (a) THE
16 GENERAL ASSEMBLY HEREBY FINDS AND 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 IN THE
21 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR
22 COMMERCIAL AND RESIDENTIAL BUILDINGS;

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

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

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

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

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

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

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

1 ASSIST THE STATE AUDITOR'S MEASUREMENT.

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

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

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

7 (B) HAS A VARIABLE SPEED COMPRESSOR;

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

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

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

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

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

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

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

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

27 (b) (I) "GROUND-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM

1 THAT:

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

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

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

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

13 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
14 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM
15 REQUIREMENTS.

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

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

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

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

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

27 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED

1 ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

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

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

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

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

16 (A) AN ELECTRIC RESISTANCE HEATING ELEMENT; AND

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

19 (e) (I) "WATER-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM
20 THAT:

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

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

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

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

5 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
6 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND
7 WASTEWATER SYSTEM REQUIREMENTS.

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

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

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

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

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

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

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

24 (f) (I) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" MEANS
25 A SYSTEM THAT:

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

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

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

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

10 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
11 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND
12 WASTEWATER SYSTEM REQUIREMENTS.

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

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

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

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

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

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

27 (III) "VARIABLE REFRIGERANT FLOW SYSTEM" INCLUDES

1 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION
2 OF A VARIABLE REFRIGERANT FLOW SYSTEM.

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

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

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

26 (b) THE PURCHASER SHALL CERTIFY, IN A FORM AND MANNER TO
27 BE DETERMINED BY THE DEPARTMENT OF REVENUE, THAT THE HEAT PUMP

1 SYSTEM OR HEAT PUMP WATER HEATER WILL BE INSTALLED IN
2 ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (4)(a) OF THIS
3 SECTION, IF APPLICABLE.

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

5 **39-26-732. Residential energy storage systems - tax preference**
6 **performance statement - legislative declaration - definition - repeal.**

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

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

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

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

25 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
26 REQUIRES, "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY
27 AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE

1 BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF
2 RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,
3 MECHANICAL, OR OTHER MEANS.

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

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

9 **SECTION 4.** In Colorado Revised Statutes, **add 40-3-119** as
10 follows:

11 **40-3-119. Measurement of use for billing - rules.** AFTER
12 JANUARY 1, 2023, AN INVESTOR-OWNED GAS UTILITY, AT ITS DISCRETION,
13 MAY APPLY TO THE COMMISSION FOR APPROVAL TO MEASURE THE AMOUNT
14 OF USE FOR BILLING PURPOSES IN EITHER FUEL COMMODITY UNITS OR FOR
15 ENERGY SERVICES PROVIDED. UPON RECEIPT OF THE UTILITY'S
16 APPLICATION, THE COMMISSION SHALL APPROVE, DENY, OR MODIFY THE
17 UTILITY'S APPLICATION FOR MEASUREMENT OF USE FOR BILLING PURPOSES
18 PURSUANT TO THIS SECTION.

19 **SECTION 5.** In Colorado Revised Statutes, 29-2-105, **add**
20 **(1)(d)(I)(Q), (1)(d)(I)(R), and (1)(d)(I)(S)** as follows:

21 **29-2-105. Contents of sales tax ordinances and proposals.**

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

1 (d) (I) A provision that the sale of tangible personal property and
2 services taxable pursuant to this article 2 shall be the same as the sale of
3 tangible personal property and services taxable pursuant to section
4 39-26-104, except as otherwise provided in this subsection (1)(d). The
5 sale of tangible personal property and services taxable pursuant to this
6 article 2 shall be subject to the same sales tax exemptions as those
7 specified in part 7 of article 26 of title 39; except that the sale of the
8 following may be exempted from a town, city, or county sales tax only by
9 the express inclusion of the exemption either at the time of adoption of
10 the initial sales tax ordinance or resolution or by amendment thereto:

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

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

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

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

19 **29-2-109. Contents of use tax ordinances and proposals -**
20 **repeal.** (1) The use tax ordinance, resolution, or proposal of any town,
21 city, or county adopted pursuant to this article 2 shall be imposed only for
22 the privilege of using or consuming in the town, city, or county any
23 construction and building materials purchased at retail or for the privilege
24 of storing, using, or consuming in the town, city, or county any motor and
25 other vehicles, purchased at retail on which registration is required, or
26 both. For the purposes of this subsection (1), the term "construction and
27 building materials" shall not include parts or materials utilized in the

1 fabrication, construction, assembly, or installation of passenger tramways,
2 as defined in section 12-150-103 (5), by any ski area operator, as defined
3 in section 33-44-103 (7), or any person fabricating, constructing,
4 assembling, or installing a passenger tramway for a ski area operator. The
5 ordinance, resolution, or proposal may recite that the use tax shall not
6 apply to the storage and use of wood from salvaged trees killed or
7 infested in Colorado by mountain pine beetles or spruce beetles as
8 exempted from the state use tax pursuant to section 39-26-723. The
9 ordinance, resolution, or proposal may recite that the use tax shall not
10 apply to the storage and use of components used in the production of
11 energy, including but not limited to alternating current electricity, from
12 a renewable energy source, as exempted from the state use tax pursuant
13 to section 39-26-724. THE ORDINANCE, RESOLUTION, OR PROPOSAL MAY
14 RECITE THAT THE USE TAX SHALL NOT APPLY TO THE STORAGE AND USE OF
15 ELIGIBLE DECARBONIZING BUILDING MATERIALS, AS EXEMPTED FROM THE
16 STATE USE TAX PURSUANT TO SECTION 39-26-730. The ordinance,
17 resolution, or proposal shall recite that the use tax shall not apply:

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