

Second Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 22-0444.01 Nicole Myers x4326

HOUSE BILL 22-1124

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HOUSE SPONSORSHIP

Pelton,

SENATE SPONSORSHIP

(None),

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House Committees  
Finance

Senate Committees

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A BILL FOR AN ACT

101 CONCERNING THE CREATION OF AN INCOME TAX CREDIT FOR THE  
102 PURCHASER OF A NEW MOTOR VEHICLE WHO AT THE TIME OF  
103 PURCHASE TRADES IN AN OLD MOTOR VEHICLE FOR RECYCLING.

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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>.)*

For income tax years commencing on or after January 1, 2023, but prior to January 1, 2028, the bill allows a \$750 income tax credit to any taxpayer that purchases a new motor vehicle (purchaser) and at the same time trades in an old motor vehicle for recycling. The purchase of the new motor vehicle and the trade in for recycling of the old motor vehicle are

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.

required to occur through the same licensed motor vehicle dealer. The bill defines a vehicle that is a 2015 model year or newer as a "new motor vehicle" and a vehicle that is a model year 2009 or older as an "old motor vehicle".

The purchaser is required to assign the tax credit to the purchaser's financing entity in a manner specified in the bill, and the financing entity is required to compensate the purchaser for the full nominal value of the tax credit. To complete the tax credit assignment, the purchaser and the financing entity are required to enter into an agreement that identifies the vehicle identification numbers of the old motor vehicle and the new motor vehicle, includes certification from the licensed motor vehicle dealer that the old motor vehicle will be traded for recycling pursuant to current law, and satisfies all other requirements regarding the assignment of the tax credit.

The financing entity is required to electronically submit a report containing the information required in the agreement to the department of revenue (department) in a form and manner to be determined by the department. In addition, the financing entity is required to file the agreement described with the original tax return for the taxable year in which the old motor vehicle is traded in for recycling and a new motor vehicle is purchased.

The licensed motor vehicle dealer that sells the purchaser the new motor vehicle and takes the old motor vehicle for recycling is required to certify, in a form and manner to be determined by the department, that an old motor vehicle that is traded in for recycling for the purpose of claiming the tax credit will be recycled in accordance with current law.

A licensed motor vehicle dealer that provides certification that it will recycle an old motor vehicle but that fails to transfer the vehicle for recycling is subject to a fine.

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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** 39-22-543 as  
3 follows:

4           **39-22-543. Tax credit for recycling an old motor vehicle and**  
5 **purchasing a new motor vehicle - tax preference performance**  
6 **statement - legislative declaration - definitions.** (1) (a) THE GENERAL

7 ASSEMBLY HEREBY FINDS AND DECLARES THAT:

8           (I) REMOVING OLD MOTOR VEHICLES FROM THE ROAD AND

1 REPLACING THEM WITH NEW MOTOR VEHICLES WILL DECREASE THE  
2 STATE'S CONSUMPTION OF MOTOR FUEL, AS OLD MOTOR VEHICLES ARE  
3 TYPICALLY LESS FUEL-EFFICIENT THAN NEW MOTOR VEHICLES;

4 (II) REMOVING OLD MOTOR VEHICLES FROM THE ROAD AND  
5 REPLACING THEM WITH NEW MOTOR VEHICLES WILL ALSO DECREASE  
6 MOTOR VEHICLE EXHAUST EMISSIONS IN THE STATE AND LESSEN THE  
7 ENVIRONMENTAL IMPACT OF DRIVING IN THE STATE; AND

8 (III) OLD MOTOR VEHICLES WERE NOT HELD TO THE SAME CRASH  
9 AND SAFETY STANDARDS AS NEW MOTOR VEHICLES, AND REPLACING OLD  
10 MOTOR VEHICLES WITH NEW MOTOR VEHICLES WILL RESULT IN FEWER  
11 INJURIES AND FATALITIES IN MOTOR VEHICLE ACCIDENTS.

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

18 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,  
19 SPECIFICALLY RECYCLING OLD MOTOR VEHICLES AND PURCHASING NEW  
20 MOTOR VEHICLES TO REPLACE THEM;

21 (II) INCREASE THE NUMBER OF FUEL-EFFICIENT MOTOR VEHICLES  
22 ON THE ROAD IN THE STATE; AND

23 (III) REDUCE THE NUMBER OF INJURIES AND FATALITIES AS A  
24 RESULT OF MOTOR VEHICLE ACCIDENTS.

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

1 NUMBER OF MOTOR VEHICLES THAT ARE TURNED IN FOR RECYCLING EACH  
2 YEAR AT THE SAME TIME A NEW MOTOR VEHICLE IS PURCHASED. THE  
3 DIVISION OF MOTOR VEHICLES IN THE DEPARTMENT OF REVENUE SHALL  
4 PROVIDE THE STATE AUDITOR WITH AVAILABLE INFORMATION THAT WILL  
5 ASSIST THE STATE AUDITOR'S MEASUREMENT.

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

8 (a) "FINANCING ENTITY" MEANS THE ENTITY THAT FINANCES THE  
9 PURCHASE OF A NEW MOTOR VEHICLE.

10 (b) "LICENSED MOTOR VEHICLE DEALER" MEANS A MOTOR VEHICLE  
11 DEALER THAT IS LICENSED PURSUANT TO PART 1 OF ARTICLE 20 OF TITLE  
12 44.

13 (c) "NEW MOTOR VEHICLE" MEANS A SELF-PROPELLED VEHICLE  
14 WITH FOUR WHEELS, INCLUDING A TRUCK AND A HYBRID MOTOR VEHICLE,  
15 THAT IS:

16 (I) MODEL YEAR 2015 OR NEWER;

17 (II) TITLED AND REGISTERED IN THE STATE; AND

18 (III) REQUIRED TO BE LICENSED OR SUBJECT TO LICENSING FOR  
19 OPERATION UPON THE HIGHWAYS OF THE STATE.

20 (d) "OLD MOTOR VEHICLE" MEANS A SELF-PROPELLED VEHICLE  
21 WITH FOUR WHEELS, INCLUDING A TRUCK AND A HYBRID MOTOR VEHICLE,  
22 THAT IS:

23 (I) MODEL YEAR 2009 OR OLDER;

24 (II) TITLED AND REGISTERED IN THE STATE; AND

25 (III) REQUIRED TO BE LICENSED OR SUBJECT TO LICENSING FOR  
26 OPERATION UPON THE HIGHWAYS OF THE STATE.

27 (e) "PURCHASER" MEANS THE BUYER OF A NEW MOTOR VEHICLE

1 FROM A LICENSED MOTOR VEHICLE DEALER, BUT DOES NOT INCLUDE THE  
2 STATE OR ANY POLITICAL SUBDIVISION OF THE STATE.

3 (f) "RECYCLING" HAS THE SAME MEANING AS SET FORTH IN  
4 SECTION 42-4-2201 (4).

5 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
6 JANUARY 1, 2023, BUT BEFORE JANUARY 1, 2028, A CREDIT IS ALLOWED  
7 AGAINST THE INCOME TAXES IMPOSED PURSUANT TO THIS ARTICLE 22 TO  
8 ANY PURCHASER WHO AT THE TIME OF PURCHASE OF A NEW MOTOR  
9 VEHICLE TRADES IN AN OLD MOTOR VEHICLE FOR RECYCLING. THE  
10 PURCHASER MUST TRADE IN THE OLD MOTOR VEHICLE FOR RECYCLING AND  
11 PURCHASE THE NEW MOTOR VEHICLE FROM THE SAME LICENSED MOTOR  
12 VEHICLE DEALER.

13 (b) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE  
14 INCOME TAX YEAR IN WHICH THE NEW MOTOR VEHICLE IS PURCHASED AND  
15 THE OLD MOTOR VEHICLE IS TRADED IN FOR RECYCLING. THE AMOUNT OF  
16 THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS SEVEN HUNDRED  
17 FIFTY DOLLARS.

18 (4) (a) A PURCHASER SHALL ASSIGN THE TAX CREDIT ALLOWED IN  
19 THIS SECTION TO THE PURCHASER'S FINANCING ENTITY AS FOLLOWS:

20 (I) THE ASSIGNMENT TO THE FINANCING ENTITY MUST BE  
21 COMPLETED AT THE TIME OF PURCHASE OF A NEW MOTOR VEHICLE AND  
22 TRADE IN OF AN OLD MOTOR VEHICLE FOR RECYCLING BY ENTERING INTO  
23 AN AGREEMENT AS SET FORTH IN SUBSECTION (4)(c) OF THIS SECTION;

24 (II) THE PURCHASER MUST TITLE AND REGISTER THE NEW MOTOR  
25 VEHICLE IN THE STATE AS REQUIRED BY STATE LAW;

26 (III) THE PURCHASER SHALL ASSIGN THE TAX CREDIT TO THE  
27 FINANCING ENTITY AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON

1 THE PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE  
2 CONSIDERATION; AND

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

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

14 (c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER  
15 AND THE FINANCING ENTITY SHALL ENTER INTO AN AGREEMENT THAT:

16 (I) IDENTIFIES THE VEHICLE IDENTIFICATION NUMBER OF THE OLD  
17 MOTOR VEHICLE THAT IS TRADED FOR RECYCLING AND FOR WHICH A  
18 CREDIT IS ALLOWED PURSUANT TO THIS SECTION AND THE NEW MOTOR  
19 VEHICLE;

20 (II) AFFIRMS THAT THE REQUIREMENTS SPECIFIED IN SUBSECTION  
21 (4)(a) OF THIS SECTION WERE MET; AND

22 (III) INCLUDES THE CERTIFICATION REQUIRED PURSUANT TO  
23 SUBSECTION (5) OF THIS SECTION THAT THE OLD MOTOR VEHICLE WILL BE  
24 RECYCLED.

25 (d) THE FINANCING ENTITY MAY AUTHORIZE AN AGENT OR A  
26 DESIGNEE TO SIGN THE AGREEMENT ON ITS BEHALF.

27 (e) THE FINANCING ENTITY SHALL ELECTRONICALLY SUBMIT A

1 REPORT CONTAINING THE INFORMATION REQUIRED IN THE AGREEMENT  
2 DESCRIBED IN SUBSECTION (4)(c) OF THIS SECTION TO THE DEPARTMENT  
3 OF REVENUE WITHIN THIRTY DAYS OF THE PURCHASE OF A NEW MOTOR  
4 VEHICLE AND THE TRADE OF AN OLD MOTOR VEHICLE FOR RECYCLING, IN  
5 A FORM AND MANNER TO BE DETERMINED BY THE DEPARTMENT.

6 (f) THE FINANCING ENTITY SHALL ALSO FILE THE AGREEMENT  
7 DESCRIBED IN SUBSECTION (4)(c) OF THIS SECTION WITH THE ORIGINAL  
8 TAX RETURN FOR THE TAXABLE YEAR IN WHICH THE OLD MOTOR VEHICLE  
9 IS TRADED IN FOR RECYCLING AND A NEW MOTOR VEHICLE IS PURCHASED.

10 (g) THE DEPARTMENT OF REVENUE SHALL DEVELOP A MODEL  
11 REPORT AND AGREEMENT NO LATER THAN DECEMBER 1, 2022.

12 (5) (a) THE LICENSED MOTOR VEHICLE DEALER SHALL CERTIFY, IN  
13 A FORM AND MANNER TO BE DETERMINED BY THE DEPARTMENT OF  
14 REVENUE, THAT AN OLD MOTOR VEHICLE THAT IS TRADED IN FOR  
15 RECYCLING FOR THE PURPOSE OF CLAIMING THE TAX CREDIT PURSUANT TO  
16 THIS SECTION WILL BE RECYCLED IN ACCORDANCE WITH PART 22 OF  
17 ARTICLE 4 OF TITLE 42. THE LICENSED MOTOR VEHICLE DEALER SHALL  
18 PROVIDE THE CERTIFICATE TO THE TAXPAYER AND, IF THE PURCHASER'S  
19 FINANCING ENTITY IS NOT ASSOCIATED WITH THE LICENSED MOTOR  
20 VEHICLE DEALER, TO THE PURCHASER'S FINANCING ENTITY FOR THE  
21 PURPOSES OF SUBSECTION (4) OF THIS SECTION.

22 (b) A LICENSED MOTOR VEHICLE DEALER THAT PROVIDES  
23 CERTIFICATION THAT IT WILL RECYCLE AN OLD MOTOR VEHICLE PURSUANT  
24 TO SUBSECTION (5)(a) OF THIS SECTION BUT FAILS TO TRANSFER THE  
25 MOTOR VEHICLE FOR RECYCLING IS SUBJECT TO A FINE IN THE AMOUNT OF  
26 ONE THOUSAND FIVE HUNDRED DOLLARS.

27 (6) 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 FINANCING ENTITY TO  
4 WHICH THE TAXPAYER ASSIGNED THE CREDIT.

5 (7) 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 FINANCING ENTITY AS ALLOWED IN THIS SECTION DOES  
8 NOT RISE TO THE LEVEL OF PROVIDING THE PURCHASER WITH  
9 UNAUTHORIZED TAX ADVICE.

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