

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 22-0592.02 Bob Lackner x4350

HOUSE BILL 22-1166

HOUSE SPONSORSHIP

Lynch,

SENATE SPONSORSHIP

(None),

House Committees
Energy & Environment

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE ADOPTION OF INCENTIVES TO PROMOTE THE TIMBER
102 INDUSTRY IN COLORADO, AND, IN CONNECTION THEREWITH,
103 CREATING AN INTERNSHIP PROGRAM IN THE COLORADO STATE
104 FOREST SERVICE, EXTENDING AN EXISTING SALES AND USE TAX
105 EXEMPTION TO COVER THE SALES, STORAGE, AND USE OF WOOD
106 HARVESTED IN COLORADO, AND CREATING A STATE INCOME TAX
107 CREDIT FOR THE PURCHASE OF QUALIFYING ITEMS USED IN
108 TIMBER PRODUCTION.

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

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.

<http://leg.colorado.gov>.)

Section 1 of the bill creates the timber industry workforce development program (internship program) in the Colorado state forest service (forest service) to provide incentives to timber businesses to hire interns through partial reimbursement of the costs to such businesses of hiring interns. Not later than January 1, 2023, the forest service is required to promulgate policies, procedures, and guidelines for administering the internship program. The bill specifies minimum components of the policies, procedures, and guidelines.

Subject to available appropriations, the forest service may reimburse a qualified timber business an amount not to exceed 50% of the actual cost to the business to employ the intern. The actual cost includes the wages paid to the intern, a reasonable allocation of fixed overhead expenses, and all incidental costs directly related to the internship. Based on the annual appropriation for the internship program, the forest service shall determine how many internships may be approved, the amount of reimbursement per internship, and whether a timber business may be reimbursed for more than one intern in the same fiscal year. However, no timber business may be reimbursed for more than 3 internships in the same fiscal year.

Under current law, for fiscal years commencing on or after July 1, 2008, but prior to the fiscal year commencing on July 1, 2020, and for fiscal years commencing on or after July 1, 2021, but prior to the fiscal year commencing on July 1, 2026, all sales, storage, and use of wood from salvaged trees in Colorado that were killed or infested by mountain pine beetles or spruce beetles, including but not limited to products such as lumber, furniture built from the salvaged trees, and wood chips or wood pellets generated from the salvaged trees, are exempt from the state sales and use tax.

For fiscal years commencing on or after July 1, 2022, but prior to the fiscal year commencing on July 1, 2026, **section 2** extends this exemption to include all sales, storage, and use of wood harvested in Colorado that is sold on a retail basis, including but not limited to products such as lumber, furniture built from such wood, wood chips or wood pellets generated from such wood, and wood from salvaged trees in Colorado that were killed or infested by mountain pine beetles or spruce beetles.

For income tax years commencing on or after January 1, 2021, but prior to January 1, 2027, **section 3** allows a timber business doing business in Colorado to claim a credit against the state income tax for 20% of the costs incurred by the taxpayer in purchasing mechanized equipment, certain vehicles, and equipment infrastructure used in the production of wood products, not to exceed \$10,000 for the aggregate of all such qualifying items purchased in any one income tax year. The bill

specifies additional requirements concerning the administration of the tax credit.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 23-31-318 as
3 follows:

4 **23-31-318. Timber industry workforce development program**
5 **- creation - rules - legislative declaration - definitions.** (1) THE
6 GENERAL ASSEMBLY FINDS, DETERMINES, AND DECLARES THAT:

7 (a) FINDING QUALIFIED AND TRAINED EMPLOYEES IS A SIGNIFICANT
8 CHALLENGE FOR THE STATE'S TIMBER INDUSTRY, AND IT IS ESPECIALLY
9 DIFFICULT TO PROVIDE TRAINING AND EXPERIENCE TO YOUNGER WORKERS
10 WHO ARE INTERESTED IN BEGINNING CAREERS IN THE TIMBER INDUSTRY;

11 (b) THE BARRIERS TO ENTRY FOR YOUNGER WORKERS WHO ARE
12 INTERESTED IN BEGINNING A CAREER IN THE TIMBER INDUSTRY ARE
13 SIGNIFICANT, INCLUDING ACCESS TO TRAINING PROGRAMS THAT PROVIDE
14 REAL-WORLD WORK EXPERIENCE;

15 (c) INTERNSHIPS ARE A RECOGNIZED WAY TO BUILD A TALENT
16 PIPELINE AND CAREER PATHWAY TO ALIGN EDUCATION, TRAINING, AND
17 WORK-BASED LEARNING; AND

18 (d) BY OFFERING INCENTIVES TO TIMBER BUSINESSES TO CREATE
19 INTERNSHIPS, THERE WILL BE MORE OPPORTUNITIES FOR STUDENTS TO
20 OBTAIN WORK EXPERIENCE IN THE TIMBER INDUSTRY.

21 (2) AS USED IN THIS SECTION:

22 (a) "FOREST SERVICE" MEANS THE COLORADO STATE FOREST
23 SERVICE IDENTIFIED IN SECTION 23-31-302 AND THE DIVISION OF
24 FORESTRY CREATED IN SECTION 24-33-104.

25 (b) "INTERNSHIP PROGRAM" MEANS THE TIMBER INDUSTRY

1 WORKPLACE DEVELOPMENT PROGRAM CREATED IN SUBSECTION (3) OF THIS
2 SECTION.

3 (c) "TIMBER BUSINESS" MEANS A FOR-PROFIT BUSINESS ENTITY
4 INCORPORATED OR LOCATED IN COLORADO THAT CONCERNS ITSELF WITH
5 FORESTRY, LOGGING, THE TIMBER TRADE, THE PRODUCTION OF WOOD
6 PRODUCTS SUCH AS FURNITURE, AND SECONDARY PRODUCTS SUCH AS
7 WOOD PULP FOR THE PULP AND PAPER INDUSTRY.

8 (3) THE TIMBER INDUSTRY WORKFORCE DEVELOPMENT PROGRAM
9 IS HEREBY CREATED IN THE FOREST SERVICE TO PROVIDE INCENTIVES TO
10 TIMBER BUSINESSES TO HIRE INTERNS THROUGH PARTIAL REIMBURSEMENT
11 OF THE COSTS TO SUCH BUSINESSES OF HIRING INTERNS. NOT LATER THAN
12 JANUARY 1, 2023, THE FOREST SERVICE SHALL PROMULGATE POLICIES,
13 PROCEDURES, AND GUIDELINES FOR ADMINISTERING THE INTERNSHIP
14 PROGRAM. THE POLICIES, PROCEDURES, AND GUIDELINES MUST SPECIFY,
15 AT A MINIMUM:

16 (a) THE CRITERIA FOR SELECTING A TIMBER BUSINESS FOR
17 PARTICIPATION IN THE INTERNSHIP PROGRAM, INCLUDING THE ABILITY OF
18 THE BUSINESS TO EFFECTIVELY SUPERVISE AN INTERN AND THE
19 OPPORTUNITY FOR AN INTERN TO GET MEANINGFUL WORK EXPERIENCE;

20 (b) THE CRITERIA FOR AN INTERNSHIP TO QUALIFY UNDER THE
21 INTERNSHIP PROGRAM, INCLUDING THE FOLLOWING:

22 (I) THE INTERNSHIP MUST PROVIDE AN INTERN AT LEAST ONE
23 HUNDRED THIRTY HOURS OF WORK EXPERIENCE; AND

24 (II) THE INTERNSHIP CANNOT EXCEED SIX MONTHS IN DURATION
25 PER INTERN;

26 (c) THE CRITERIA FOR A TIMBER BUSINESS TO USE IN SELECTING
27 QUALIFIED INTERNS, INCLUDING THE REQUIRED EDUCATIONAL EXPERIENCE

1 FOR AN INTERN AND THE ABILITY OF THE INTERN TO PERFORM
2 MEANINGFUL WORK FOR THE BUSINESS;

3 (d) THE PROCESS AND TIMETABLE FOR SELECTING QUALIFIED
4 BUSINESSES AND QUALIFIED INTERNS;

5 (e) THE ACCOUNTING REQUIREMENTS FOR TRACKING INTERNSHIP
6 COSTS; AND

7 (f) THE PROCESS BY WHICH A TIMBER BUSINESS MUST SEEK
8 REIMBURSEMENT FROM THE STATE FOR THE INTERNSHIP COSTS IT HAS
9 ASSUMED.

10 (4) SUBJECT TO AVAILABLE APPROPRIATIONS, THE FOREST SERVICE
11 MAY REIMBURSE A QUALIFIED TIMBER BUSINESS AN AMOUNT NOT TO
12 EXCEED FIFTY PERCENT OF THE ACTUAL COST TO THE BUSINESS TO EMPLOY
13 THE INTERN. THE ACTUAL COST INCLUDES THE WAGES PAID TO THE
14 INTERN, A REASONABLE ALLOCATION OF FIXED OVERHEAD EXPENSES, AND
15 ALL INCIDENTAL COSTS DIRECTLY RELATED TO THE INTERNSHIP. BASED ON
16 THE ANNUAL APPROPRIATION FOR THE INTERNSHIP PROGRAM, THE FOREST
17 SERVICE SHALL DETERMINE HOW MANY INTERNSHIPS MAY BE APPROVED,
18 THE AMOUNT OF REIMBURSEMENT PER INTERNSHIP, AND WHETHER A
19 TIMBER BUSINESS MAY BE REIMBURSED FOR MORE THAN ONE INTERN IN
20 THE SAME FISCAL YEAR. HOWEVER, NO TIMBER BUSINESS MAY BE
21 REIMBURSED FOR MORE THAN THREE INTERNSHIPS IN THE SAME FISCAL
22 YEAR.

23 **SECTION 2.** In Colorado Revised Statutes, 39-26-723, **amend**
24 (1) as follows:

25 **39-26-723. Colorado wood products - repeal.** (1) (a) For fiscal
26 years commencing on or after July 1, 2008, but prior to the fiscal year
27 commencing on July 1, 2020, and for fiscal years commencing on or after

1 July 1, 2021, but prior to the fiscal year commencing on ~~July 1, 2026~~
2 JULY 1, 2022, all sales, storage, and use of wood from salvaged trees
3 killed or infested in Colorado by mountain pine beetles or spruce beetles,
4 including but not limited to products such as lumber, furniture built from
5 the salvaged trees, and wood chips or wood pellets generated from the
6 salvaged trees, are exempt from taxation under the provisions of parts 1
7 and 2 of this article 26.

8 (b) FOR FISCAL YEARS COMMENCING ON OR AFTER JULY 1, 2022,
9 BUT PRIOR TO THE FISCAL YEAR COMMENCING ON JULY 1, 2026, ALL
10 SALES, STORAGE, AND USE OF WOOD HARVESTED IN COLORADO,
11 INCLUDING BUT NOT LIMITED TO PRODUCTS SUCH AS LUMBER, FURNITURE
12 BUILT FROM SUCH WOOD, WOOD CHIPS OR WOOD PELLETS GENERATED
13 FROM SUCH WOOD, AND WOOD FROM SALVAGED TREES IN COLORADO
14 THAT WERE KILLED OR INFESTED BY MOUNTAIN PINE BEETLES OR SPRUCE
15 BEETLES, ARE EXEMPT FROM TAXATION UNDER THE PROVISIONS OF PARTS
16 1 AND 2 OF THIS ARTICLE 26.

17 **SECTION 3.** In Colorado Revised Statutes, **add** 39-22-543 as
18 follows:

19 **39-22-543. Credit for purchase of equipment, vehicles, and**
20 **structures used in the timber industry - legislative declaration -**
21 **definitions - repeal.** (1) IN ACCORDANCE WITH SECTION 39-21-304 (1),
22 WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO
23 INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A
24 STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY
25 FINDS AND DECLARES THAT THE GENERAL LEGISLATIVE PURPOSES OF THE
26 TAX CREDIT CREATED IN THIS SECTION ARE TO IMPROVE INDUSTRY
27 COMPETITIVENESS FOR THE STATE'S TIMBER INDUSTRY AND PROVIDE TAX

1 RELIEF FOR CERTAIN BUSINESSES ENGAGED IN TIMBER INDUSTRY BUSINESS
2 ACTIVITIES AND THAT THE SPECIFIC INTENDED PURPOSE OF THE TAX
3 CREDIT CREATED IN THIS SECTION IS TO REDUCE BASIC OPERATIONAL
4 COSTS FOR BUSINESSES ENGAGED IN THE STATE'S TIMBER INDUSTRY BY
5 ALLOWING SUCH BUSINESSES A SPECIFIED CREDIT AGAINST THEIR INCOME
6 TAXES FOR THEIR PURCHASE OF MECHANIZED EQUIPMENT, VEHICLES, AND
7 EQUIPMENT INFRASTRUCTURE USED TO MAKE WOOD PRODUCTS, THEREBY
8 PROMOTING THE STATE'S TIMBER INDUSTRY. IN ORDER TO ALLOW THE
9 GENERAL ASSEMBLY AND THE STATE AUDITOR TO MEASURE THE
10 EFFECTIVENESS OF THE CREDIT, THE DEPARTMENT OF REVENUE SHALL
11 TRACK THE NUMBER OF CREDITS ALLOWED, THE TOTAL VALUE OF THE
12 CREDITS ALLOWED, THE AVERAGE AMOUNT OF EACH CREDIT ALLOWED,
13 AND THE NUMBER OF QUALIFYING ITEMS PURCHASED FOR WHICH THE
14 CREDIT WAS ALLOWED.

15 (2) AS USED IN THIS SECTION:

16 (a) "EQUIPMENT INFRASTRUCTURE" MEANS ANY EQUIPMENT USED
17 IN THE MANUFACTURING OF WOOD PRODUCTS AND INCLUDES, WITHOUT
18 LIMITATION, DRY KILNS, SAWMILLS, DEBARKERS, PELLET MILLS, AND
19 STRUCTURES NECESSARY TO ENCLOSE LOGGING OR OTHER OPERATIONS
20 ENGAGED IN BY A TAXPAYER.

21 (b) "QUALIFYING ITEMS" MEANS:

22 (I) ANY MECHANIZED EQUIPMENT THAT IS USED FOR THE
23 HARVESTING, SKIDDING, PROCESSING, AND LOADING OF TREES;

24 (II) ANY TRUCK OR TRAILER USED FOR THE HAULING OF LOGS; AND

25 (III) ANY EQUIPMENT INFRASTRUCTURE USED IN THE
26 MANUFACTURING OF WOOD PRODUCTS.

27 (c) "TAXPAYER" MEANS ANY SOLE PROPRIETORSHIP, PARTNERSHIP,

1 LIMITED LIABILITY CORPORATION, SUBCHAPTER S CORPORATION, OR
2 REGULAR CORPORATION DOING BUSINESS IN THE STATE THAT CONCERNS
3 ITSELF WITH FORESTRY, LOGGING, THE TIMBER TRADE, THE PRODUCTION
4 OF WOOD PRODUCTS SUCH AS FURNITURE, AND SECONDARY PRODUCTS
5 SUCH AS WOOD PULP FOR THE PULP AND PAPER INDUSTRY.

6 (3) WITH RESPECT TO TAX YEARS COMMENCING ON OR AFTER
7 JANUARY 1, 2021, BUT PRIOR TO JANUARY 1, 2027, THERE IS ALLOWED TO
8 ANY TAXPAYER A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22
9 IN THE AMOUNT OF TWENTY PERCENT OF THE COST INCURRED BY THE
10 TAXPAYER IN PURCHASING A QUALIFYING ITEM, NOT TO EXCEED TEN
11 THOUSAND DOLLARS IN THE AGGREGATE FOR ALL QUALIFYING ITEMS
12 PURCHASED IN ANY ONE INCOME TAX YEAR.

13 (4) IF THE AMOUNT OF THE CREDIT SPECIFIED IN SUBSECTION (3) OF
14 THIS SECTION EXCEEDS THE AMOUNT OF INCOME TAXES DUE ON THE
15 INCOME OF THE TAXPAYER IN THE INCOME TAX YEAR FOR WHICH THE
16 CREDIT IS BEING CLAIMED, THE AMOUNT OF THE CREDIT NOT USED AS AN
17 OFFSET AGAINST INCOME TAXES IN SAID INCOME TAX YEAR SHALL NOT BE
18 ALLOWED AS A REFUND BUT MAY BE CARRIED FORWARD AS A CREDIT
19 AGAINST SUBSEQUENT YEARS' TAX LIABILITY FOR A PERIOD NOT
20 EXCEEDING FIVE YEARS AND SHALL BE APPLIED FIRST TO THE EARLIEST
21 INCOME TAX YEARS POSSIBLE. ANY AMOUNT OF THE CREDIT THAT IS NOT
22 USED DURING SAID PERIOD SHALL NOT BE REFUNDABLE TO THE TAXPAYER.

23 (5) TO CLAIM A CREDIT UNDER THIS SECTION, A TAXPAYER MUST
24 SUBMIT TO THE DEPARTMENT OF REVENUE WITH DOCUMENTATION IN A
25 FORM SATISFACTORY TO THE DEPARTMENT OF REVENUE THAT
26 DEMONSTRATES THE TAXPAYER PURCHASED THE QUALIFYING ITEM AND
27 THE COST OF THE ITEM PURCHASED BY THE TAXPAYER.

1 (6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2037.

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