

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. 22-0592.02 Bob Lackner x4350

HOUSE BILL 22-1166

HOUSE SPONSORSHIP

Lynch and Weissman,

SENATE SPONSORSHIP

Rankin,

House Committees

Energy & Environment
Finance

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 AND CREATING A STATE INCOME TAX CREDIT**
105 **FOR THE PURCHASE OF QUALIFYING ITEMS USED IN TIMBER**
106 **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 <http://leg.colorado.gov>.)

Section 1 of the bill creates the timber industry workforce

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.

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, forest health, and wildfire mitigation**
5 **industries workforce development program - creation - rules -**
6 **legislative declaration - definitions.** (1) THE GENERAL ASSEMBLY FINDS,

7 DETERMINES, AND DECLARES THAT:

8 (a) FINDING QUALIFIED AND TRAINED EMPLOYEES IS A SIGNIFICANT
9 CHALLENGE FOR THE STATE'S TIMBER, FOREST HEALTH, AND WILDFIRE
10 MITIGATION INDUSTRIES, AND IT IS ESPECIALLY DIFFICULT TO PROVIDE
11 TRAINING AND EXPERIENCE TO YOUNGER WORKERS WHO ARE INTERESTED
12 IN BEGINNING CAREERS IN THE TIMBER, FOREST HEALTH, AND WILDFIRE
13 MITIGATION INDUSTRIES;

14 (b) THE BARRIERS TO ENTRY FOR YOUNGER WORKERS WHO ARE
15 INTERESTED IN BEGINNING A CAREER IN THE TIMBER, FOREST HEALTH, AND
16 WILDFIRE MITIGATION INDUSTRIES ARE SIGNIFICANT, INCLUDING ACCESS
17 TO TRAINING PROGRAMS THAT PROVIDE REAL-WORLD WORK EXPERIENCE;

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

21 (d) BY OFFERING INCENTIVES TO TIMBER BUSINESSES AND FOREST
22 HEALTH AND WILDFIRE MITIGATION ENTITIES TO CREATE INTERNSHIPS,
23 THERE WILL BE MORE OPPORTUNITIES FOR STUDENTS TO OBTAIN WORK
24 EXPERIENCE WITH TIMBER BUSINESSES OR WITH FOREST HEALTH OR
25 WILDFIRE MITIGATION ENTITIES.

26 (2) AS USED IN THIS SECTION:

1 (a) "FOREST HEALTH OR WILDFIRE MITIGATION ENTITY" MEANS A
2 FOR-PROFIT OR NOT-FOR-PROFIT ENTITY LOCATED OR OPERATING IN
3 COLORADO THAT CONCERNS ITSELF WITH FOREST HEALTH OR WILDFIRE
4 MITIGATION ACTIVITIES INCLUDING PRESCRIBED BURNING AS DEFINED IN
5 24-33.5-1217 OR OTHER SCIENCE-BASED FOREST MANAGEMENT
6 PRACTICES.

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

10 (c) "INTERNSHIP PROGRAM" MEANS THE TIMBER, FOREST HEALTH,
11 AND WILDFIRE MITIGATION INDUSTRIES WORKFORCE DEVELOPMENT
12 PROGRAM CREATED IN SUBSECTION (3) OF THIS SECTION.

13 (d) "TIMBER BUSINESS" MEANS A FOR-PROFIT BUSINESS ENTITY
14 INCORPORATED OR LOCATED IN COLORADO THAT CONCERNS ITSELF WITH
15 FORESTRY, LOGGING, THE TIMBER TRADE, THE PRODUCTION OF WOOD
16 PRODUCTS SUCH AS FURNITURE, AND SECONDARY PRODUCTS SUCH AS
17 WOOD PULP FOR THE PULP AND PAPER INDUSTRY.

18 (3) THE TIMBER, FOREST HEALTH, AND WILDFIRE MITIGATION
19 INDUSTRIES WORKFORCE DEVELOPMENT PROGRAM IS HEREBY CREATED IN
20 THE FOREST SERVICE TO PROVIDE INCENTIVES TO TIMBER BUSINESSES AND
21 FOREST HEALTH OR WILDFIRE MITIGATION ENTITIES TO HIRE INTERNS
22 THROUGH PARTIAL REIMBURSEMENT OF THE COSTS TO SUCH BUSINESSES
23 AND ENTITIES OF HIRING INTERNS. NOT LATER THAN JANUARY 1, 2023,
24 THE FOREST SERVICE SHALL PROMULGATE POLICIES, PROCEDURES, AND
25 GUIDELINES FOR ADMINISTERING THE INTERNSHIP PROGRAM. THE
26 POLICIES, PROCEDURES, AND GUIDELINES MUST SPECIFY, AT A MINIMUM:

27 (a) THE CRITERIA FOR SELECTING A TIMBER BUSINESS OR FOREST

1 HEALTH OR WILDFIRE MITIGATION ENTITY FOR PARTICIPATION IN THE
2 INTERNSHIP PROGRAM, INCLUDING THE ABILITY OF THE BUSINESS OR
3 ENTITY TO EFFECTIVELY SUPERVISE AN INTERN AND THE OPPORTUNITY FOR
4 AN INTERN TO GET MEANINGFUL WORK EXPERIENCE;

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

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

9 (II) THE INTERNSHIP CANNOT EXCEED SIX MONTHS IN DURATION
10 PER INTERN;

11 (c) BEST PRACTICES FOR A TIMBER BUSINESS OR FOREST HEALTH
12 OR WILDFIRE MITIGATION ENTITY TO USE IN RECRUITING AND SELECTING
13 QUALIFIED INTERNS TO INCREASE REPRESENTATION OF HISTORICALLY
14 UNDERREPRESENTED COMMUNITIES IN THE TIMBER, FOREST HEALTH, AND
15 WILDFIRE MITIGATION INDUSTRIES. IN DEVELOPING BEST PRACTICES, THE
16 FOREST SERVICE SHALL SPECIFICALLY CONSIDER HOW TO EXTEND
17 OPPORTUNITIES TO INDIVIDUALS WHO HAVE ACQUIRED EXPERIENCE IN
18 WILDLAND FIRE SERVICES THROUGH THE INMATE DISASTER RELIEF
19 PROGRAM, CREATED IN SECTION 17-24-124 (3).

20 (d) THE CRITERIA FOR A TIMBER BUSINESS OR FOREST HEALTH OR
21 WILDFIRE MITIGATION ENTITY TO USE IN SELECTING QUALIFIED INTERNS,
22 INCLUDING THE REQUIRED EDUCATIONAL EXPERIENCE FOR AN INTERN AND
23 THE ABILITY OF THE INTERN TO PERFORM MEANINGFUL WORK FOR THE
24 BUSINESS;

25 (e) THE PROCESS AND TIMETABLE FOR SELECTING QUALIFIED
26 BUSINESSES AND ENTITIES AND QUALIFIED INTERNS;

27 (f) THE ACCOUNTING REQUIREMENTS FOR TRACKING INTERNSHIP

1 COSTS; AND

2 (g) THE PROCESS BY WHICH A TIMBER BUSINESS OR FOREST
3 HEALTH OR WILDFIRE MITIGATION ENTITY MUST SEEK REIMBURSEMENT
4 FROM THE STATE FOR THE INTERNSHIP COSTS IT HAS ASSUMED.

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

20 **SECTION 2.** In Colorado Revised Statutes, add 39-22-543 as
21 follows:

22 **39-22-543. Credit for purchase of equipment, vehicles, and**
23 **structures used in the timber, forest health, and wildfire mitigation**
24 **- legislative declaration - definitions - repeal.** (1) IN ACCORDANCE
25 WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES
26 A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE
27 STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE

1 GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT THE GENERAL
2 LEGISLATIVE PURPOSES OF THE TAX CREDIT CREATED IN THIS SECTION ARE
3 TO IMPROVE INDUSTRY COMPETITIVENESS FOR THE STATE'S TIMBER
4 INDUSTRY AND PROVIDE TAX RELIEF FOR CERTAIN BUSINESSES ENGAGED
5 IN TIMBER, FOREST HEALTH, AND WILDFIRE MITIGATION ACTIVITIES,
6 THEREBY IMPROVING THE HEALTH OF COLORADO'S FORESTS AND
7 REDUCING THE RISK OF CATASTROPHIC WILDFIRE. THE SPECIFIC INTENDED
8 PURPOSE OF THE TAX CREDIT CREATED IN THIS SECTION IS TO REDUCE
9 BASIC OPERATIONAL COSTS FOR BUSINESSES OR ENTITIES ENGAGED IN THE
10 STATE'S TIMBER, FOREST HEALTH, AND WILDFIRE MITIGATION INDUSTRIES
11 BY ALLOWING SUCH BUSINESSES OR ENTITIES A SPECIFIED CREDIT AGAINST
12 THEIR INCOME TAXES FOR THEIR PURCHASE OF MECHANIZED EQUIPMENT,
13 VEHICLES, AND EQUIPMENT INFRASTRUCTURE USED TO MAKE WOOD
14 PRODUCTS OR CONDUCT PRESCRIBED BURNING OR OTHER SCIENCE-BASED
15 FOREST MANAGEMENT PRACTICES, THEREBY PROMOTING THE STATE'S
16 TIMBER, FOREST HEALTH, AND WILDFIRE MITIGATION INDUSTRIES. IN
17 ORDER TO ALLOW THE GENERAL ASSEMBLY AND THE STATE AUDITOR TO
18 MEASURE THE EFFECTIVENESS OF THE CREDIT, THE DEPARTMENT OF
19 REVENUE SHALL TRACK THE NUMBER OF CREDITS ALLOWED, THE TOTAL
20 VALUE OF THE CREDITS ALLOWED, THE AVERAGE AMOUNT OF EACH CREDIT
21 ALLOWED, AND THE NUMBER OF QUALIFYING ITEMS PURCHASED FOR
22 WHICH THE CREDIT WAS ALLOWED.

23 (2) AS USED IN THIS SECTION:

24 (a) "EQUIPMENT INFRASTRUCTURE" MEANS ANY EQUIPMENT USED
25 IN THE MANUFACTURING OF WOOD PRODUCTS AND INCLUDES, WITHOUT
26 LIMITATION, DRY KILNS, SAWMILLS, DEBARKERS, PELLET MILLS, AND
27 STRUCTURES NECESSARY TO ENCLOSE LOGGING OR OTHER OPERATIONS

1 ENGAGED IN BY A TAXPAYER.

2 (b) "QUALIFYING ITEMS" MEANS:

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

5 (II) ANY TRUCK OR TRAILER THAT IS USED FOR THE HAULING OF
6 LOGS;

7 (III) ANY EQUIPMENT THAT IS USED IN THE MANUFACTURING OF
8 WOOD PRODUCTS;

9 (IV) ANY EQUIPMENT THAT IS USED IN SMALL-DIAMETER TREE
10 REMOVAL AND PROCESSING; AND

11 (V) ANY EQUIPMENT THAT IS USED IN CONDUCTING PRESCRIBED
12 BURNING AS DEFINED IN SECTION 24-33.5-1202 (8.3).

13 (c) "TAXPAYER" MEANS ANY SOLE PROPRIETORSHIP, PARTNERSHIP,
14 LIMITED LIABILITY CORPORATION, SUBCHAPTER S CORPORATION, OR
15 REGULAR CORPORATION DOING BUSINESS IN THE STATE THAT CONCERNS
16 ITSELF WITH FORESTRY, LOGGING, THE TIMBER TRADE, THE PRODUCTION
17 OF WOOD PRODUCTS SUCH AS FURNITURE, AND SECONDARY PRODUCTS
18 SUCH AS WOOD PULP FOR THE PULP AND PAPER INDUSTRY, OR WITH FOREST
19 HEALTH AND WILDFIRE MITIGATION ACTIVITIES INCLUDING PRESCRIBED
20 BURNING AS DEFINED IN 24-33.5-1217 OR OTHER SCIENCE-BASED FOREST
21 MANAGEMENT PRACTICES.

22 (3) WITH RESPECT TO TAX YEARS COMMENCING ON OR AFTER
23 JANUARY 1, 2022, BUT PRIOR TO JANUARY 1, 2027, THERE IS ALLOWED TO
24 ANY TAXPAYER A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22
25 IN THE AMOUNT OF TWENTY PERCENT OF THE COST INCURRED BY THE
26 TAXPAYER IN PURCHASING A QUALIFYING ITEM, NOT TO EXCEED TEN
27 THOUSAND DOLLARS IN THE AGGREGATE FOR ALL QUALIFYING ITEMS

1 PURCHASED IN ANY ONE INCOME TAX YEAR.

2 (4) (a) IF A QUALIFYING ITEM THAT WAS PRODUCED IN COLORADO
3 IS AVAILABLE, THE TAX CREDIT ALLOWED BY THIS SECTION MAY ONLY BE
4 CLAIMED FOR QUALIFYING ITEMS PRODUCED IN COLORADO. IF A
5 QUALIFYING ITEM PRODUCED IN COLORADO IS NOT AVAILABLE, THE TAX
6 CREDIT ALLOWED BY THIS SECTION MAY BE CLAIMED REGARDLESS OF
7 WHERE THE QUALIFYING ITEM IS PRODUCED.

8 (b) IF AN ELECTRIC-POWERED QUALIFYING ITEM IS AVAILABLE, THE
9 TAX CREDIT ALLOWED BY THIS SECTION MAY ONLY BE CLAIMED FOR
10 ELECTRIC-POWERED QUALIFYING ITEMS. IF AN ELECTRIC-POWERED
11 QUALIFYING ITEM IS NOT AVAILABLE, THE TAX CREDIT MAY BE CLAIMED
12 REGARDLESS OF THE POWER SOURCE OF THE QUALIFYING ITEM.

13 (5) 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 (6) 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 (7) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2032.

2 **SECTION 3. 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.