

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 24-0859.01 Sarah Lozano x3858

HOUSE BILL 24-1352

HOUSE SPONSORSHIP

Froelich and Velasco,

SENATE SPONSORSHIP

Cutter, Priola

House Committees
Energy & Environment

Senate Committees

A BILL FOR AN ACT

101 CONCERNING MEASURES TO INCREASE ACCESS TO AFFORDABLE
102 APPLIANCES FOR A HEALTHY COMMUNITY.

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, on and after January 1, 2027, prohibits the sale and distribution of certain air conditioners that are manufactured on or after January 1, 2027, (covered HVAC) unless the covered HVAC complies with certain technical standards (technical standards).

On or before January 1, 2029, and again on or before January 1, 2034, the executive director of the department of public health and

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

environment (executive director) must assess compliance with the technical standards. On or before February 1, 2029, and again on or before February 1, 2034, the executive director must prepare a report of the assessments.

Before January 1, 2027, the executive director must establish a secure process that allows an individual to make an anonymous report of a violation of the technical standards. In the case of the first 2 violations of the technical standards, the executive director must send a warning letter to the alleged violator. In the case of a third or subsequent violation, the attorney general may bring a civil action to seek a civil penalty of no more than \$2,000 per ton of cooling and certain other remedial actions.

Section 3, on or before January 1, 2026, and every other January 1 until January 1, 2034, requires the Colorado energy office (energy office) to conduct a market study or literature review to estimate the average cost difference for certain income-qualified households and income-qualified housing providers between installing a covered HVAC that meets the technical standards and installing a covered HVAC that does not meet the technical standards (study).

On or before January 1, 2027, the energy office shall establish a program to offer certain financial incentives to certain income-qualified households and income-qualified housing providers to cover the average cost difference described in the energy office's most recent study.

For income tax years commencing on and after January 1, 2024, but before January 1, 2034, **section 4** creates a refundable, assignable state income tax credit that a home builder or an HVAC contractor that installs certain cold-climate heat pumps or ground-source heat pumps (eligible heat pump) can claim in the tax year that the eligible heat pump is placed into service. The amount of the tax credit is \$5,000 per installation of an eligible heat pump, but the amount claimed may be increased based on certain criteria. A home builder or an HVAC contractor must provide certain verification information to the department of revenue to qualify for the tax credit.

Section 5:

- Makes certain changes to definitions;
- Changes the state income tax credit amounts that may be claimed for the installation of certain other heat pumps; and
- Requires the energy office to post information about the tax credit on the energy office's website.

Section 6 makes certain changes to definitions.

Section 8, on or before April 1, 2025, requires a public utility that provides electricity to submit to the public utilities commission a proposal for a specific voluntary rate or rates for electricity supplied to residential customers who utilize a heat pump as their primary heating source.

Section 9 requires, on and after January 1, 2025, recipients of state financial assistance for new building construction projects that include

1 WINTER HEATING IF THEY ARE CONFIGURED AS HEAT PUMPS, WHICH ARE
2 A MORE ENVIRONMENTALLY FRIENDLY OPTION THAN OTHER TYPES OF
3 HVAC;

4 (c) BECAUSE HEAT PUMPS DO NOT COMBUST FOSSIL FUELS, HEAT
5 PUMPS GREATLY REDUCE THE ADVERSE HEALTH IMPACTS ASSOCIATED
6 WITH INDOOR AND OUTDOOR AIR POLLUTION, WHICH ADVERSE HEALTH
7 IMPACTS INCLUDE ASTHMA, CARDIOVASCULAR ILLNESSES, NEUROLOGICAL
8 PROBLEMS, CERTAIN CANCERS, AND PREMATURE DEATHS;

9 (d) HEAT PUMPS EMIT FEWER GREENHOUSE GASES THAN OTHER
10 TYPES OF HVAC, WHICH CAN HELP REDUCE CLIMATE CHANGE;

11 (e) THE MOST ECONOMICAL TIME TO CONFIGURE AIR
12 CONDITIONERS AS HEAT PUMPS IS WHEN A NEW HOME OR BUILDING IS
13 CONSTRUCTED OR WHEN AN EXISTING AIR CONDITIONER IS REPLACED;

14 (f) PROGRAMS, TAX INCENTIVES, AND REBATES FROM THE FEDERAL
15 "INFLATION REDUCTION ACT OF 2022" AND THE STATE MAKE FOR A
16 NEGATIVE INCREMENTAL COST FOR THIS NEW TECHNOLOGY; AND

17 (g) COLORADO SHOULD TAKE ADVANTAGE OF THIS FEDERAL
18 OPPORTUNITY TO THE MAXIMUM EXTENT TO CREATE A MORE AFFORDABLE
19 AND ENVIRONMENTALLY FRIENDLY HOUSING MARKET AND INDUSTRY.

20 (2) THE GENERAL ASSEMBLY THEREFORE DETERMINES AND
21 DECLARES THAT IT IS IN THE PUBLIC INTEREST FOR THE HEALTH AND
22 ENVIRONMENT OF THE STATE TO REQUIRE THAT CERTAIN AIR
23 CONDITIONERS COMPLY WITH CERTAIN TECHNICAL STANDARDS.

24 **25-7-1602. Definitions.** AS USED IN THIS PART 16, UNLESS THE
25 CONTEXT OTHERWISE REQUIRES:

26 (1) "AIR CONDITIONER" MEANS ANY ELECTRICALLY POWERED
27 MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO COOL AN

1 INTERIOR HABITABLE SPACE.

2 (2) "COLD-CLIMATE HEAT PUMP" MEANS A TYPE OF HEAT PUMP
3 THAT MEETS THE QUALIFICATION CRITERIA OF THE MOST RECENT ENERGY
4 STAR PROGRAM COLD-CLIMATE HEAT PUMP DESIGNATION.

5 (3) "COVERED HVAC" MEANS AN AIR CONDITIONER THAT IS:

6 (a) NEW;

7 (b) MANUFACTURED ON OR AFTER JANUARY 1, 2027;

8 (c) POWERED BY A SINGLE-PHASE CURRENT;

9 (d) AIR-COOLED;

10 (e) DESIGNED AND INTENDED FOR PERMANENT INSTALLATION;

11 (f) DESIGNED AND INTENDED FOR A SINGLE-FAMILY, DUPLEX,
12 TRIPLEX, OR QUADPLEX HOME; AND

13 (g) NOT DESIGNED OR INTENDED TO BE WINDOW-MOUNTED.

14 (4) "CROSSOVER TEMPERATURE" MEANS THE TEMPERATURE AT
15 WHICH A HEAT-PUMP-BASED HVAC SYSTEM SWITCHES PARTIALLY OR
16 FULLY TO A SUPPLEMENTAL HEATING SOURCE.

17 (5) "DEPARTMENT" MEANS THE DEPARTMENT OF PUBLIC HEALTH
18 AND ENVIRONMENT.

19 (6) "ENERGY STAR PROGRAM" MEANS THE FEDERAL PROGRAM
20 AUTHORIZED BY 42 U.S.C. SEC. 6294a, AS AMENDED.

21 (7) "EXECUTIVE DIRECTOR" MEANS THE EXECUTIVE DIRECTOR OF
22 THE DEPARTMENT.

23 (8) "HEAT PUMP" MEANS AN ELECTRICALLY POWERED
24 MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO TRANSFER
25 THERMAL ENERGY FROM ONE LOCATION TO ANOTHER.

26 (9) "HVAC" MEANS A HEATING, VENTILATION, AND AIR
27 CONDITIONING SYSTEM.

1 **25-7-1603. Technical standards for covered HVAC -**
2 **assessment of compliance - report - rules - repeal.** (1) ON AND AFTER
3 JANUARY 1, 2027, A PERSON SHALL NOT DISTRIBUTE, SELL, INSTALL, OFFER
4 FOR SALE, LEASE, OFFER FOR LEASE, OR OFFER FOR INSTALLATION A
5 COVERED HVAC IN THE STATE FOR PROFIT UNLESS THE COVERED HVAC:
6 (a) INCLUDES A FACTORY-INSTALLED REVERSING VALVE AND
7 OTHER NECESSARY COMPONENTS THAT ALLOW THE COVERED HVAC TO
8 OPERATE AS A HEAT PUMP IN HEATING MODE;
9 (b) IS INSTALLED WITH CONTROLS THAT:
10 (I) HAVE THE ABILITY TO SET THE HEAT PUMP AS THE PRIMARY
11 HEATING SOURCE AND SET ANY OTHER HEATING EQUIPMENT AS A
12 SUPPLEMENTAL HEATING SOURCE IN COMPLIANCE WITH THE MOST RECENT
13 INTERNATIONAL ENERGY CONSERVATION CODE; AND
14 (II) ARE SET WITH A CROSSOVER TEMPERATURE THAT MAXIMIZES
15 COST-EFFECTIVE USE OF THE HEAT PUMP IN HEATING MODE;
16 (c) MEETS ONE OF THE FOLLOWING OPTIONS FOR COLD-CLIMATE
17 PERFORMANCE:
18 (I) THE COVERED HVAC UTILIZES A COLD-CLIMATE HEAT PUMP;
19 (II) IF ALLOWED BY FEDERAL, STATE, OR LOCAL LAW, THE
20 COVERED HVAC IS INTENDED TO OPERATE ALONGSIDE AN EXISTING OR A
21 NEW FURNACE, WOOD STOVE, OR FIREPLACE FOR SUPPLEMENTAL HEAT; OR
22 (III) THE COVERED HVAC IS ACCOMPANIED BY AN AFFIDAVIT
23 SIGNED BY THE PROPERTY OWNER STATING THAT THE PROPERTY OWNER
24 IS AWARE OF THE POTENTIAL FOR HIGHER WINTER HEATING BILLS WHEN
25 USING SUPPLEMENTAL ELECTRIC RESISTANCE HEATING; AND
26 (d) IS ACCOMPANIED WITH PRINTED INFORMATION THAT EXPLAINS
27 THE SPECIFIC HEAT PUMP MODEL'S PERFORMANCE IN COLD TEMPERATURES

1 AND THE APPLICABILITY OF ANY SUPPLEMENTAL HEAT SOURCES.

2 (2) (a) ON OR BEFORE JANUARY 1, 2029, AND AGAIN ON OR BEFORE
3 JANUARY 1, 2034, THE EXECUTIVE DIRECTOR SHALL ASSESS COMPLIANCE
4 WITH SUBSECTION (1) OF THIS SECTION, WHICH ASSESSMENT MAY
5 INCLUDE:

6 (I) A COMPARISON OF SHIPMENT DATA OF COVERED HVAC THAT
7 MEETS THE STANDARDS DESCRIBED IN SUBSECTION (1) OF THIS SECTION
8 AND COVERED HVAC THAT DOES NOT MEET THE STANDARDS DESCRIBED
9 IN SUBSECTION (1) OF THIS SECTION;

10 (II) FORMAL REQUESTS TO SELECT DISTRIBUTORS IN THE STATE TO
11 ATTEST TO COMPLIANCE WITH THE STANDARDS DESCRIBED IN SUBSECTION
12 (1) OF THIS SECTION;

13 (III) RANDOMIZED SPOT-CHECKS OF DISTRIBUTORS; AND

14 (IV) OTHER METHODS DETERMINED BY THE EXECUTIVE DIRECTOR.

15 (b) ON OR BEFORE FEBRUARY 1, 2029, AND AGAIN ON OR BEFORE
16 FEBRUARY 1, 2034, THE EXECUTIVE DIRECTOR SHALL PREPARE A REPORT
17 ON THE ASSESSMENTS MADE PURSUANT TO SUBSECTION (2)(a) OF THIS
18 SECTION, WHICH REPORT MUST INCLUDE:

19 (I) A DESCRIPTION OF THE METHOD THE EXECUTIVE DIRECTOR
20 USED TO MAKE THE ASSESSMENTS; AND

21 (II) THE FINDINGS OF THE ASSESSMENTS.

22 (c) NO LATER THAN ONE MONTH AFTER THE COMPLETION OF THE
23 REPORT DESCRIBED IN SUBSECTION (2)(b) OF THIS SECTION, THE
24 EXECUTIVE DIRECTOR SHALL:

25 (I) POST THE REPORT ON THE DEPARTMENT'S WEBSITE; AND

26 (II) SUBMIT THE REPORT TO THE ENERGY AND ENVIRONMENT
27 COMMITTEE OF THE HOUSE OF REPRESENTATIVES AND THE

1 TRANSPORTATION AND ENERGY COMMITTEE OF THE SENATE, OR ANY
2 SUCCESSOR COMMITTEES.

3 (d) THIS SUBSECTION (2) IS REPEALED, EFFECTIVE JULY 1, 2034.

4 (3) (a) THE EXECUTIVE DIRECTOR MAY ADOPT RULES AS
5 NECESSARY TO ENSURE THE TECHNICAL FEASIBILITY, PROPER
6 IMPLEMENTATION, AND ENFORCEMENT OF THIS SECTION.

7 (b) THE EXECUTIVE DIRECTOR SHALL NOT ADOPT RULES PURSUANT
8 TO SUBSECTION (3)(a) OF THIS SECTION THAT WOULD RESULT IN A
9 SUBSTANTIAL INCREASE IN GREENHOUSE GAS EMISSIONS AS COMPARED TO
10 NOT ADOPTING THE RULES.

11 (4) NOTHING IN THIS SECTION RESTRICTS THE ABILITY OF A PUBLIC
12 UTILITY TO PROVIDE INCENTIVES OR SERVICES, OR TO RECEIVE A CREDIT
13 FOR PROVIDING THOSE INCENTIVES OR SERVICES, AS DEEMED APPROPRIATE
14 BY THE PUBLIC UTILITIES COMMISSION, FOR THE INSTALLATION OF A
15 COVERED HVAC.

16 **25-7-1604. Enforcement - process to report violations - civil**
17 **penalties.** (1) BEFORE JANUARY 1, 2027, THE EXECUTIVE DIRECTOR
18 SHALL ESTABLISH A SECURE PROCESS, ACCESSIBLE THROUGH THE
19 DEPARTMENT'S WEBSITE, THAT ALLOWS AN INDIVIDUAL TO MAKE AN
20 ANONYMOUS REPORT OF A VIOLATION OF SECTION 25-7-1603 (1) TO THE
21 EXECUTIVE DIRECTOR.

22 (2) (a) (I) IN THE CASE OF THE FIRST TWO VIOLATIONS OF SECTION
23 25-7-1603 (1), THE EXECUTIVE DIRECTOR SHALL SEND A WARNING LETTER
24 BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE ALLEGED
25 VIOLATOR.

26 (II) IN THE CASE OF AN ALLEGED VIOLATOR IN A NONMANAGERIAL
27 ROLE, THE EXECUTIVE DIRECTOR SHALL DELIVER, BY CERTIFIED MAIL,

1 RETURN RECEIPT REQUESTED, THE WARNING LETTER TO A MANAGER, A
2 SUPERVISOR, OR AN OWNER.

3 (b) IN THE CASE OF A THIRD OR SUBSEQUENT VIOLATION OF
4 SECTION 25-7-1603 (1), THE EXECUTIVE DIRECTOR SHALL NOTIFY THE
5 ATTORNEY GENERAL OF THE VIOLATION. IF THE ATTORNEY GENERAL HAS
6 PROBABLE CAUSE TO BELIEVE THAT A PERSON HAS VIOLATED OR CAUSED
7 ANOTHER PERSON TO VIOLATE SECTION 25-7-1603 (1), THE ATTORNEY
8 GENERAL MAY BRING A CIVIL ACTION ON BEHALF OF THE STATE TO SEEK:

9 (I) THE ASSESSMENT OF A CIVIL PENALTY OF NO MORE THAN TWO
10 THOUSAND DOLLARS PER TON OF COOLING, WHICH PENALTY AMOUNT
11 MUST BE TRANSFERRED TO THE STATE TREASURER, WHO SHALL CREDIT
12 THE AMOUNT TO THE ENERGY FUND CREATED IN SECTION 24-38.5-102.4
13 (1)(a)(I);

14 (II) AT NO ADDITIONAL COST TO THE SYSTEM OWNER, THE
15 REPLACEMENT OF ANY NONCOMPLIANT SOLD OR LEASED HVAC SYSTEM
16 WITH A NEW COLD-CLIMATE HEAT PUMP AND ANY ADDITIONAL
17 MECHANICAL, ELECTRICAL, OR STRUCTURAL COMPONENTS NEEDED TO
18 EFFECTIVELY OPERATE THE HEAT PUMP; AND

19 (III) THE REMOVAL OF THE VIOLATOR FROM ANY STATE- OR
20 UTILITY-MAINTAINED LISTS OF QUALIFIED CONTRACTORS.

21 (c) A VIOLATION OF SECTION 25-7-1603 (1) CONSTITUTES A
22 SEPARATE VIOLATION WITH RESPECT TO EACH CONSUMER, TRANSACTION,
23 OR ONLINE FOR-SALE PRODUCT LISTING INVOLVED IN THE VIOLATION.

24 (d) A COURT SHALL NOT ASSESS A CIVIL PENALTY PURSUANT TO
25 SUBSECTION (2)(b)(I) OF THIS SECTION AGAINST A NONMANAGERIAL
26 EMPLOYEE OF A CONTRACTOR THAT INSTALLS, REPAIRS, OR REPLACES A
27 COVERED HVAC AND COLLECTS FROM CUSTOMERS COMPENSATION FOR

1 LABOR AND EQUIPMENT.

2 **SECTION 2.** In Colorado Revised Statutes, 24-38.5-102.4,
3 **amend** (1)(a)(I) as follows:

4 **24-38.5-102.4. Energy fund - creation - use of fund -**
5 **definitions - report - repeal.** (1) (a) (I) The energy fund is created in the
6 state treasury. The principal of the fund consists of money transferred to
7 the fund from the general fund; money transferred to the fund at the end
8 of the 2006-07 state fiscal year and at the end of each succeeding state
9 fiscal year from money received by the Colorado energy office; money
10 received pursuant to the federal "American Recovery and Reinvestment
11 Act of 2009", Pub.L. 111-5, or any amendments thereto; money received
12 pursuant to revenue contracts, court settlement funds, supplemental
13 environmental program funds, or the repayment or return of funds from
14 eligible public depositories; money transferred to the fund pursuant to
15 sections 6-7.5-110 (2)(a), ~~6-7.7-103 (6)~~, 25-5-1406 (3)(a), ~~and~~ 25-7-1507
16 (3)(a), AND 25-7-1604 (2)(b)(I); money received as gifts, grants, and
17 donations; and any other money received by the Colorado energy office.
18 Interest and income earned on the deposit and investment of money in the
19 energy fund are credited to the fund. Money in the fund at the end of any
20 state fiscal year remains in the fund and may not be credited to the state
21 general fund or any other fund. Money in the fund may not be transferred
22 to the innovative energy fund created in section 24-38.5-102.5.

23 **SECTION 3.** In Colorado Revised Statutes, **add** 24-38.5-123 as
24 follows:

25 **24-38.5-123. Program for improving access to certain cooling**
26 **devices in households - study - financial incentives - short title -**
27 **legislative declaration - definitions - repeal.** (1) THE SHORT TITLE OF

1 THIS SECTION IS "ENSURING MARKET READINESS FOR ALL".

2 (2) THE GENERAL ASSEMBLY FINDS, DETERMINES, AND DECLARES
3 THAT:

4 (a) IMPROVING ACCESS TO LOW-EMISSION TECHNOLOGIES IS A
5 CRUCIAL COMPONENT IN ENSURING THAT THE STATE'S TRANSITION TO A
6 CLEAN ENERGY ECONOMY IS EQUITABLE FOR COLORADANS OF ALL
7 SOCIOECONOMIC BACKGROUNDS;

8 (b) THE FEDERAL "INFLATION REDUCTION ACT OF 2022" CREATED
9 CONSUMER TAX INCENTIVES AND REBATES TO ENCOURAGE THE USE OF
10 NEW HEAT PUMPS AND OTHER LOW-EMISSION TECHNOLOGIES;

11 (c) HOWEVER, ADDITIONAL STATE INCENTIVES ARE NECESSARY TO
12 ENSURE THAT THESE TECHNOLOGIES REACH ALL COLORADANS,
13 PARTICULARLY INCOME-QUALIFIED HOUSEHOLDS AND INCOME-QUALIFIED
14 HOUSING PROVIDERS;

15 (d) ALLOWING CONSUMER TAX INCENTIVES AND REBATES TO BE
16 CLAIMED AT THE POINT OF SALE WILL ENSURE EQUITY BY IMPROVING
17 ACCESS TO LOW-EMISSION TECHNOLOGIES FOR COLORADANS WHO CANNOT
18 AFFORD THE FULL PRICE FOR THESE TECHNOLOGIES; AND

19 (e) HIGHER ADOPTION RATES OF LOW-EMISSION TECHNOLOGIES
20 WILL BENEFIT ALL COLORADANS THROUGH CLEANER AIR, A MORE STABLE
21 CLIMATE, BETTER UTILIZATION OF RENEWABLE ENERGY, AND MORE
22 FAMILY-SUSTAINING JOBS.

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

25 (a) "COVERED HVAC" HAS THE MEANING SET FORTH IN SECTION
26 25-7-1602 (3).

27 (b) "DIRECTOR" MEANS THE DIRECTOR OF THE OFFICE OR THE

1 DIRECTOR'S DESIGNEE.

2 (c) "FINANCIAL INCENTIVE" MEANS AN INSTANT REBATE ISSUED AT
3 THE POINT OF SALE OR ANOTHER INCENTIVE AS DETERMINED BY THE
4 DIRECTOR.

5 (d) "INCOME-QUALIFIED HOUSEHOLD" MEANS A HOUSEHOLD THAT
6 EARNS UP TO EIGHTY PERCENT OF THE AREA MEDIAN INCOME.

7 (e) "INCOME-QUALIFIED HOUSING PROVIDER" MEANS AN OWNER OF
8 A RESIDENTIAL PROPERTY IN WHICH AT LEAST FIFTY PERCENT OF THE
9 UNITS SERVE INCOME-QUALIFIED HOUSEHOLDS.

10 (f) "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN
11 SECTION 24-38.5-101 (1).

12 (g) "PROGRAM" MEANS THE PROGRAM ESTABLISHED BY THE OFFICE
13 PURSUANT TO SUBSECTION (5)(a) OF THIS SECTION.

14 (4) ON OR BEFORE JANUARY 1, 2026, AND ON OR BEFORE EVERY
15 OTHER JANUARY 1 UNTIL JANUARY 1, 2034, THE OFFICE SHALL CONDUCT
16 A MARKET STUDY OR LITERATURE REVIEW TO ESTIMATE THE AVERAGE
17 DIFFERENCE FOR INCOME-QUALIFIED HOUSEHOLDS AND
18 INCOME-QUALIFIED HOUSING PROVIDERS BETWEEN THE INCREMENTAL
19 COSTS OF INSTALLING A COVERED HVAC THAT MEETS THE STANDARDS
20 DESCRIBED IN SECTION 25-7-1603 (1) AND THE INCREMENTAL COSTS OF
21 INSTALLING A COVERED HVAC THAT DOES NOT MEET THE STANDARDS
22 DESCRIBED IN SECTION 25-7-1603 (1), WHICH DIFFERENCE MUST TAKE
23 INTO ACCOUNT ANY APPLICABLE FEDERAL, STATE, AND UTILITY FINANCIAL
24 INCENTIVES.

25 (5) ON OR BEFORE JANUARY 1, 2027, THE OFFICE SHALL ESTABLISH
26 A PROGRAM TO OFFER FINANCIAL INCENTIVES TO INCOME-QUALIFIED
27 HOUSEHOLDS AND INCOME-QUALIFIED HOUSING PROVIDERS TO COVER THE

1 AVERAGE INCREMENTAL COST DIFFERENCE DESCRIBED IN THE OFFICE'S
2 MOST RECENT MARKET STUDY OR LITERATURE REVIEW CONDUCTED
3 PURSUANT TO SUBSECTION (4) OF THIS SECTION. THE OFFICE SHALL:

4 (a) ESTABLISH POLICIES AND PROCEDURES AS NECESSARY TO
5 IMPLEMENT THE PROGRAM;

6 (b) STRUCTURE THE PROGRAM TO BE AS CONSISTENT AS POSSIBLE
7 AND AS SEAMLESSLY INTEGRATED AS POSSIBLE WITH ANY APPLICABLE
8 FEDERAL, STATE, AND UTILITY INCENTIVES; AND

9 (c) POST INFORMATION ABOUT THE FINANCIAL INCENTIVES ON THE
10 OFFICE'S WEBSITE.

11 (6) THE DIRECTOR SHALL PERIODICALLY REVIEW THE
12 EFFECTIVENESS OF THE PROGRAM AND MAKE NECESSARY ADJUSTMENTS
13 TO THE POLICIES AND PROCEDURES DESCRIBED IN SUBSECTION (5)(a) OF
14 THIS SECTION TO MAXIMIZE THE PROGRAM'S IMPACT ON EQUITY, ENERGY
15 CONSERVATION, AND STATEWIDE GREENHOUSE GAS EMISSION REDUCTION
16 GOALS.

17 (7) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2038.

18 **SECTION 4.** In Colorado Revised Statutes, **add** 39-22-554.5 as
19 follows:

20 **39-22-554.5. Tax credit for cold-climate heat pumps and**
21 **ground-source heat pumps - tax preference performance statement**
22 **- legislative declaration - definitions - repeal.** (1) (a) THE GENERAL

23 ASSEMBLY FINDS, DETERMINES, AND DECLARES THAT:

24 (I) COLD-CLIMATE HEAT PUMPS AND GROUND-SOURCE HEAT PUMPS
25 ARE ADVANCED, PROVEN, RELIABLE, ENERGY-EFFICIENT, AND
26 LOW-EMISSION TECHNOLOGIES THAT PROVIDE HEATING IN COLORADO'S
27 WINTERS AND COOLING IN COLORADO'S SUMMERS;

1 (II) INCENTIVIZING HOME BUILDERS AND HVAC CONTRACTORS TO
2 INSTALL ELIGIBLE COLD-CLIMATE HEAT PUMPS AND GROUND-SOURCE HEAT
3 PUMPS WILL ENCOURAGE THE WIDESPREAD ADOPTION OF THESE
4 TECHNOLOGIES, LEADING TO IMPROVED ENERGY-EFFICIENCY EFFORTS,
5 HIGHER UTILIZATION OF RENEWABLE ENERGY, REDUCED GREENHOUSE GAS
6 EMISSIONS, AND BETTER INDOOR AND OUTDOOR AIR QUALITY;

7 (III) THE GENERAL ASSEMBLY USES CREDITS AS A TOOL TO
8 ACCELERATE THE ADOPTION OF CLEAN ENERGY TECHNOLOGIES;

9 (IV) SUPPORTING THE STATE'S CONSTRUCTION INDUSTRY AND
10 CONTRACTORS THROUGH THE ISSUANCE OF CREDITS WILL FOSTER
11 ECONOMIC GROWTH, CREATE JOB OPPORTUNITIES, STIMULATE LOCAL
12 ECONOMIES, AND ACCELERATE THE STATE'S JUST TRANSITION; AND

13 (V) IT IS IMPERATIVE TO ENCOURAGE THE STATE'S TRANSITION TO
14 ENVIRONMENTALLY FRIENDLY PRACTICES AND TECHNOLOGIES TO ENSURE
15 A SUSTAINABLE AND RESILIENT FUTURE FOR THE STATE.

16 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
17 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
18 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
19 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND
20 DECLARES THAT THE PURPOSES OF THE TAX CREDIT ALLOWED PURSUANT
21 TO THIS SECTION ARE TO:

22 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY HOME BUILDERS
23 AND HVAC CONTRACTORS, SPECIFICALLY THE INSTALLATION OF ELIGIBLE
24 COLD-CLIMATE HEAT PUMPS AND GROUND-SOURCE HEAT PUMPS; AND

25 (II) CONTRIBUTE TO THE STATE'S EFFORTS TO ACHIEVE THE
26 STATEWIDE GREENHOUSE GAS EMISSION REDUCTION GOALS SET FORTH IN
27 SECTION 25-7-102 (2)(g).

1 (c) THE GENERAL ASSEMBLY AND THE OFFICE SHALL MEASURE THE
2 EFFECTIVENESS OF THE TAX CREDIT IN ACHIEVING THE PURPOSES SPECIFIED
3 IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE INFORMATION
4 REQUIRED TO BE MAINTAINED BY AND REPORTED TO THE STATE AUDITOR
5 BY THE DEPARTMENT PURSUANT TO SUBSECTION (8) OF THIS SECTION.

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

8 (a) (I) "COLD-CLIMATE HEAT PUMP" MEANS A TYPE OF HEAT PUMP
9 THAT MEETS THE QUALIFICATION CRITERIA OF THE MOST RECENT ENERGY
10 STAR PROGRAM COLD-CLIMATE HEAT PUMP DESIGNATION.

11 (II) "COLD-CLIMATE HEAT PUMP" INCLUDES ANY ELECTRICAL,
12 PLUMBING, OR NONFOSSIL-FUELED MECHANICAL EQUIPMENT NECESSARY
13 FOR THE OPERATION OF THE COLD-CLIMATE HEAT PUMP.

14 (b) "CROSSOVER TEMPERATURE" MEANS THE POINT THAT A
15 HEAT-PUMP-BASED HVAC SYSTEM SWITCHES EITHER PARTIALLY OR
16 FULLY FROM THE HEAT PUMP TO A SUPPLEMENTARY HEATING SOURCE.

17 (c) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

18 (d) "DISPROPORTIONATELY IMPACTED COMMUNITY" HAS THE
19 MEANING SET FORTH IN SECTION 24-4-109 (2)(b)(II).

20 (e) "ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE
21 HEAT PUMP" MEANS A COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE
22 HEAT PUMP THAT:

23 (I) PROVIDES AT LEAST EIGHT THOUSAND BRITISH THERMAL UNITS
24 OF HEAT PER HOUR;

25 (II) IN THE CASE OF RESIDENTIAL INSTALLATIONS, IS SIZED BASED
26 ON BUILDING LOADS CALCULATED IN ACCORDANCE WITH THE LATEST
27 EDITION OF "MANUAL J - RESIDENTIAL LOAD CALCULATION", PUBLISHED

1 BY THE AIR CONDITIONING CONTRACTORS OF AMERICA;

2 (III) IS INSTALLED IN ACCORDANCE WITH:

3 (A) THE MOST RECENT INTERNATIONAL ENERGY CONSERVATION
4 CODE; AND

5 (B) THE MANUFACTURER'S SPECIFICATIONS FOR THE
6 COLD-CLIMATE HEAT PUMP OR THE GROUND-SOURCE HEAT PUMP;

7 (IV) IN THE CASE OF A COLD-CLIMATE HEAT PUMP WITH
8 SUPPLEMENTAL ELECTRIC-RESISTANCE HEATING, IS INSTALLED WITH
9 CONTROLS THAT SET A CROSSOVER TEMPERATURE NO HIGHER THAN TEN
10 DEGREES FAHRENHEIT;

11 (V) IS NOT SUPPLEMENTED BY A FURNACE OR OTHER EQUIPMENT
12 THAT COMBUSTS FOSSIL FUELS; AND

13 (VI) COMPLIES WITH ANY OTHER GUIDELINES THAT ARE
14 ESTABLISHED BY THE OFFICE PURSUANT TO SUBSECTION (6) OF THIS
15 SECTION.

16 (f) "ENERGY STAR PROGRAM" MEANS THE FEDERAL PROGRAM
17 AUTHORIZED BY 42 U.S.C. SEC. 6294a, AS AMENDED.

18 (g) "GROUND-SOURCE HEAT PUMP" HAS THE MEANING SET FORTH
19 IN SECTION 39-22-554 (2).

20 (h) "HEAT PUMP" MEANS AN ELECTRICALLY POWERED
21 MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO TRANSFER
22 THERMAL ENERGY FROM ONE LOCATION TO ANOTHER.

23 (i) "HISTORICALLY UNDERUTILIZED BUSINESS" HAS THE MEANING
24 SET FORTH IN SECTION 24-103-1103.

25 (j) (I) "HOME BUILDER" MEANS A PERSON THAT CONSTRUCTS
26 SINGLE-FAMILY HOMES, DUPLEXES, TRIPLEXES, OR QUADPLEXES.

27 (II) "HOME BUILDER" INCLUDES A HOUSING DEVELOPER THAT IS

1 EXEMPT FROM TAXATION UNDER SECTION 39-22-112 (1).

2 (k) "HVAC" MEANS A HEATING, VENTILATION, AND AIR
3 CONDITIONING SYSTEM.

4 (l) "HVAC COMMISSIONING" MEANS AN EVALUATION AND A
5 FUNCTIONAL TESTING OF A HEATING OR COOLING SYSTEM TO ENSURE IT IS
6 OPERATING UNDER MANUFACTURER SPECIFICATIONS AND IS OPERATING
7 OPTIMALLY.

8 (m) (I) "HVAC CONTRACTOR" MEANS A PERSON THAT INSTALLS
9 HVAC SYSTEMS IN THE STATE FOR COMPENSATION.

10 (II) "HVAC CONTRACTOR" DOES NOT INCLUDE AN INDIVIDUAL
11 THAT INSTALLS AN HVAC SYSTEM IN THE INDIVIDUAL'S OWN RESIDENCE.

12 (n) "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN
13 SECTION 24-38.5-101 (1).

14 (o) (I) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX UNDER THIS
15 ARTICLE 22 OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE THAT
16 IS EXEMPT FROM TAX UNDER SECTION 39-22-112 (1).

17 (II) "TAXPAYER" INCLUDES A PERSON OR POLITICAL SUBDIVISION
18 OF THE STATE THAT IS EXEMPT FROM TAX UNDER SECTION 39-22-112 (1)
19 EVEN IF THE PERSON HAS NO UNRELATED BUSINESS INCOME.

20 (III) "TAXPAYER" DOES NOT INCLUDE INSURANCE COMPANIES
21 SUBJECT TO THE TAX IMPOSED ON GROSS PREMIUMS BY SECTION 10-3-209.

22 (p) "THIRD-PARTY HVAC COMMISSIONING" MEANS HVAC
23 COMMISSIONING PERFORMED BY A PERSON THAT IS NOT COMPENSATED BY
24 OR OTHERWISE INFLUENCED BY THE HOME BUILDER OR HVAC
25 CONTRACTOR RESPONSIBLE FOR THE HVAC INSTALLATION.

26 (3) (a) FOR INCOME TAX YEARS COMMENCING ON AND AFTER
27 JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2034, A TAXPAYER THAT IS A

1 HOME BUILDER OR AN HVAC CONTRACTOR AND THAT INSTALLS AN
2 ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP IN
3 THE STATE IS ALLOWED A CREDIT AGAINST THE INCOME TAXES IMPOSED BY
4 THIS ARTICLE 22 IN AN AMOUNT SET FORTH IN SUBSECTION (3)(b) OF THIS
5 SECTION IN THE TAX YEAR THAT THE ELIGIBLE COLD-CLIMATE HEAT PUMP
6 OR GROUND-SOURCE HEAT PUMP IS PLACED INTO SERVICE.

7 (b) SUBJECT TO THE MODIFICATIONS SET FORTH IN SUBSECTION
8 (3)(c) OF THIS SECTION, THE AMOUNT OF THE CREDIT ALLOWED PURSUANT
9 TO THIS SECTION IS FIVE THOUSAND DOLLARS PER INSTALLATION OF
10 ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP,
11 WITH A MAXIMUM OF TEN TOTAL INSTALLATIONS.

12 (c) NOTWITHSTANDING THE AMOUNT SET FORTH IN SUBSECTION
13 (3)(b) OF THIS SECTION, THE AMOUNT OF THE CREDIT ALLOWED BY THIS
14 SECTION MAY BE INCREASED BY AN ADDITIONAL ONE THOUSAND DOLLARS
15 PER ELIGIBLE COLD-CLIMATE OR GROUND-SOURCE HEAT PUMP
16 INSTALLATION FOR EACH OF THE FOLLOWING CRITERIA:

17 (I) THE ELIGIBLE COLD-CLIMATE OR GROUND-SOURCE HEAT PUMP
18 IS INSTALLED BY A HOME BUILDER OR AN HVAC CONTRACTOR THAT
19 UTILIZES PREVAILING WAGE AND APPRENTICESHIP PROGRAMS REGISTERED
20 WITH THE UNITED STATES DEPARTMENT OF LABOR AND THE STATE
21 APPRENTICESHIP AGENCY;

22 (II) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE
23 HEAT PUMP IS INSTALLED BY A HOME BUILDER OR AN HVAC CONTRACTOR
24 THAT IS A HISTORICALLY UNDERUTILIZED BUSINESS;

25 (III) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE
26 HEAT PUMP IS INSTALLED IN A DISPROPORTIONATELY IMPACTED
27 COMMUNITY;

1 (IV) THE INSTALLATION INCLUDES AT LEAST TWO ON-SITE
2 EMPLOYEES WHO HAVE:

3 (A) A BUILDING PERFORMANCE INSTITUTE AIR CONDITIONING AND
4 HEAT PUMP PROFESSIONAL CERTIFICATION, OR A SUCCESSOR
5 CERTIFICATION;

6 (B) A NORTH AMERICAN TECHNICIAN EXCELLENCE AIR-TO-AIR
7 HEAT PUMP INSTALLATION CERTIFICATION, OR A SUCCESSOR
8 CERTIFICATION; OR

9 (C) ANOTHER QUALIFICATION ESTABLISHED BY THE OFFICE
10 PURSUANT TO SUBSECTION (6) OF THIS SECTION;

11 (V) THE INSTALLATION UNDERGOES THIRD-PARTY HVAC
12 COMMISSIONING;

13 (VI) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE
14 HEAT PUMP IS INSTALLED IN A PROPERTY THAT HAS UNDERGONE A
15 VERIFIED ENERGY AUDIT AND, AS A RESULT OF THE AUDIT, HAS
16 IMPLEMENTED VERIFIED ENERGY CONSERVATION MEASURES DURING THE
17 THREE INCOME TAX YEARS BEFORE THE INCOME TAX YEAR FOR WHICH THE
18 CREDIT IS CLAIMED AND DURING THE INCOME TAX YEAR FOR WHICH THE
19 CREDIT IS CLAIMED AND HAS SAVED AN AVERAGE OF AT LEAST TEN
20 PERCENT ANNUALLY;

21 (VII) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR
22 GROUND-SOURCE HEAT PUMP IS INSTALLED IN A PROPERTY THAT HAS AT
23 LEAST THREE KILOWATTS OF SOLAR ENERGY GENERATION EQUIPMENT PER
24 HOUSING UNIT;

25 (VIII) THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR
26 GROUND-SOURCE HEAT PUMP IS INSTALLED IN A PROPERTY THAT IS
27 CERTIFIED BY THE PASSIVE HOUSE INSTITUTE, PHIUS, OR A SUCCESSOR

1 ORGANIZATION; AND

2 (IX) THE HOME BUILDER OR HVAC CONTRACTOR, WITH ALL
3 SENSITIVE AND PERSONAL IDENTIFIABLE INFORMATION REDACTED OR
4 ANONYMIZED, AGREES TO ASSIST THE STATE WITH MARKET RESEARCH AND
5 DEVELOPMENT, INCLUDING:

6 (A) PROVIDING THE OFFICE WITH AN ITEMIZED INVOICE AND
7 DESCRIPTION OF THE PERFORMANCE RESULTS FOR THE INSTALLATION,
8 WHICH MUST INCLUDE THE NUMBER OF, AND REASON FOR, CALLBACKS;

9 (B) PARTICIPATING IN AT LEAST ONE POTENTIAL
10 POST-INSTALLATION QUALITY ASSURANCE CHECK; AND

11 (C) PARTICIPATING IN AT LEAST ONE ONE-HOUR FOCUS GROUP
12 SESSION.

13 (d) (I) THE CREDIT ALLOWED PURSUANT TO THIS SECTION MAY BE
14 CLAIMED AND ISSUED QUARTERLY. TO RECEIVE ADVANCE QUARTERLY
15 PAYMENTS OF THE CREDIT PURSUANT TO SUBSECTION (3)(d)(II) OF THIS
16 SECTION, THE HOME BUILDER OR HVAC CONTRACTOR SHALL
17 ELECTRONICALLY SUBMIT A QUARTERLY REPORT TO THE DEPARTMENT IN
18 A FORM AND MANNER REQUIRED BY THE DEPARTMENT THAT INCLUDES
19 VERIFICATION OF ALL ITEMS DESCRIBED IN SUBSECTION (4)(a) OF THIS
20 SECTION.

21 (II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
22 1, 2025, THE HOME BUILDER OR HVAC CONTRACTOR MAY ELECT
23 ADVANCE QUARTERLY PAYMENTS OF THE CREDIT ALLOWED PURSUANT TO
24 THIS SECTION AS SPECIFIED IN SECTION 39-22-629.

25 (III) THE HOME BUILDER OR HVAC CONTRACTOR SHALL FILE WITH
26 THE DEPARTMENT A REGISTRATION STATEMENT IN THE FORM AND MANNER
27 PRESCRIBED BY THE DEPARTMENT PRIOR TO CLAIMING A FIRST CREDIT FOR

1 AN ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP
2 PURSUANT TO THIS SECTION.

3 (4) (a) IN ORDER TO QUALIFY FOR THE TAX CREDIT ALLOWED
4 PURSUANT TO THIS SECTION, THE HOME BUILDER OR HVAC CONTRACTOR
5 SHALL PROVIDE VERIFICATION, IN THE FORM AND MANNER DETERMINED BY
6 THE DEPARTMENT, OF THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR
7 GROUND-SOURCE HEAT PUMP, WHICH VERIFICATION MUST INCLUDE:

8 (I) THE MAKE, MODEL, AND SERIAL NUMBER OF THE ELIGIBLE
9 COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP;

10 (II) THE TOTAL CUSTOMER COST OF THE INSTALLATION OF THE
11 ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP;

12 (III) THE ZIP CODE WHERE THE ELIGIBLE COLD-CLIMATE HEAT
13 PUMP OR GROUND-SOURCE HEAT PUMP IS INSTALLED;

14 (IV) THE LOAD CALCULATIONS FOR THE INSTALLATION OF THE
15 ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE HEAT PUMP;

16 (V) AN ATTESTATION THAT THE COLD-CLIMATE HEAT PUMP OR
17 GROUND-SOURCE HEAT PUMP IS NOT SUPPLEMENTED BY A FURNACE OR
18 OTHER EQUIPMENT THAT COMBUSTS FOSSIL FUELS; AND

19 (VI) ANY INFORMATION THAT THE DEPARTMENT DETERMINES IS
20 NECESSARY TO VERIFY THE CREDIT INCREASE CLAIMED PURSUANT TO
21 SUBSECTION (3)(c) OF THIS SECTION.

22 (b) THE DEPARTMENT SHALL ANNUALLY SHARE WITH THE OFFICE
23 THE INFORMATION RECEIVED PURSUANT TO SUBSECTION (4)(a) OF THIS
24 SECTION, WHICH INFORMATION MUST BE KEPT ANONYMOUS WITH ALL
25 PERSONAL IDENTIFIABLE INFORMATION REDACTED. THE OFFICE SHALL
26 ONLY USE THE INFORMATION RECEIVED PURSUANT TO THIS SUBSECTION
27 (4)(b) FOR RESEARCH PURPOSES.

1 (5) (a) A HOME BUILDER OR AN HVAC CONTRACTOR MAY ASSIGN
2 THE FULL CREDIT ALLOWED PURSUANT TO THIS SECTION TO ANOTHER
3 TAXPAYER AS FOLLOWS:

4 (I) THE ASSIGNMENT MUST BE COMPLETED AT THE TIME OF
5 INSTALLATION BY ENTERING INTO AN AGREEMENT PURSUANT TO
6 SUBSECTION (5)(c) OF THIS SECTION;

7 (II) THE HOME BUILDER OR HVAC CONTRACTOR MUST CERTIFY IN
8 WRITING THAT THE HOME BUILDER OR HVAC CONTRACTOR HAS MET OR
9 WILL MEET ALL THE APPLICABLE REQUIREMENTS FOR THE INSTALLATION;

10 (III) THE HOME BUILDER OR HVAC CONTRACTOR MUST FORFEIT
11 THE RIGHT TO CLAIM THE CREDIT ON THE HOME BUILDER'S OR HVAC
12 CONTRACTOR'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE
13 CONSIDERATION; AND

14 (IV) THE TAXPAYER MUST COMPENSATE THE HOME BUILDER OR
15 HVAC CONTRACTOR FOR THE FULL NOMINAL VALUE OF THE CREDIT. THE
16 COMPENSATION PAID TO THE HOME BUILDER OR HVAC CONTRACTOR IS
17 CONSIDERED A REFUND OF STATE TAXES AND IS NOT STATE TAXABLE
18 INCOME.

19 (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A HOME
20 BUILDER OR AN HVAC CONTRACTOR ASSIGNS THE CREDIT TO A TAXPAYER
21 PURSUANT TO THIS SUBSECTION (5), THE TAXPAYER RECEIVES THE FULL
22 AMOUNT OF THE CREDIT THAT THE HOME BUILDER OR HVAC
23 CONTRACTOR IS ALLOWED PURSUANT TO THIS SECTION. ANY UNPAID
24 BALANCE OR UNPAID DEBT OF THE TAXPAYER BEING ASSIGNED THE CREDIT
25 MAY NOT BE CREDITED FROM THE AMOUNT OF THE TAX CREDIT ALLOWED
26 PURSUANT TO THIS SECTION.

27 (c) (I) TO COMPLETE THE ASSIGNMENT PURSUANT TO THIS

1 SUBSECTION (5), THE HOME BUILDER OR HVAC CONTRACTOR AND THE
2 TAXPAYER BEING ASSIGNED THE CREDIT MUST ENTER INTO AN AGREEMENT
3 THAT:

4 (A) INCLUDES THE HOME BUILDER'S OR HVAC CONTRACTOR'S
5 WRITTEN CERTIFICATION TO COMPLY WITH THIS SECTION; AND

6 (B) AFFIRMS THAT THE REQUIREMENTS OF SUBSECTION (5)(a) OF
7 THIS SECTION WERE MET.

8 (II) THE TAXPAYER BEING ASSIGNED THE CREDIT MAY AUTHORIZE
9 AN AGENT OR A DESIGNEE TO SIGN THE AGREEMENT DESCRIBED IN
10 SUBSECTION (5)(c)(I) OF THIS SECTION ON THE TAXPAYER'S BEHALF.

11 (d) THE TAXPAYER BEING ASSIGNED THE CREDIT SHALL:

12 (I) ELECTRONICALLY SUBMIT A REPORT CONTAINING THE
13 INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED IN SUBSECTION
14 (5)(c)(I) OF THIS SECTION TO THE DEPARTMENT WITHIN THIRTY DAYS
15 AFTER THE INSTALLATION OF AN ELIGIBLE COLD-CLIMATE HEAT PUMP OR
16 GROUND-SOURCE HEAT PUMP IN A FORM AND MANNER DETERMINED BY
17 THE DEPARTMENT; AND

18 (II) FILE THE AGREEMENT DESCRIBED IN SUBSECTION (5)(c)(I) OF
19 THIS SECTION WITH THE ORIGINAL TAX RETURN FOR THE TAXABLE YEAR IN
20 WHICH THE ELIGIBLE COLD-CLIMATE HEAT PUMP OR GROUND-SOURCE
21 HEAT PUMP IS INSTALLED.

22 (6) IF A CREDIT AUTHORIZED BY THIS SECTION EXCEEDS THE
23 INCOME TAX DUE ON THE INCOME OF THE TAXPAYER FOR THE TAXABLE
24 YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND MUST BE
25 REFUNDED TO THE TAXPAYER.

26 (7) THE OFFICE OR THE DEPARTMENT MAY ESTABLISH GUIDELINES
27 TO IMPLEMENT THIS SECTION. ANY GUIDELINES ESTABLISHED BY THE

1 OFFICE OR THE DEPARTMENT MUST BE POSTED ON THE OFFICE'S AND THE
2 DEPARTMENT'S WEBSITES.

3 (8) NO LATER THAN FEBRUARY 1, 2025, THE OFFICE SHALL POST
4 INFORMATION ABOUT THE CREDIT ON THE OFFICE'S WEBSITE AND
5 DISTRIBUTE THE INFORMATION ABOUT THE CREDIT TO RELEVANT TRADE
6 ASSOCIATIONS.

7 (9) THE DEPARTMENT SHALL MAINTAIN A DATABASE OF ANY
8 INFORMATION NECESSARY TO EVALUATE THE EFFECTIVENESS OF THE TAX
9 CREDIT ALLOWED IN THIS SECTION IN MEETING THE PURPOSES SET FORTH
10 IN SUBSECTION (1)(b) OF THIS SECTION AND SHALL PROVIDE SUCH
11 INFORMATION, AND ANY OTHER INFORMATION THAT MAY BE NEEDED, TO
12 THE STATE AUDITOR AS PART OF THE STATE AUDITOR'S EVALUATION OF
13 THIS TAX EXPENDITURE PURSUANT TO SECTION 39-21-305.

14 (10) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2039.

15 **SECTION 5.** In Colorado Revised Statutes, 39-22-554, **amend**
16 (2)(a), (2)(g), (2)(p), (2)(q), (3)(c), and (3)(f); and **add** (7.5) as follows:

17 **39-22-554. Heat pump technology and thermal energy**
18 **network tax credit - tax preference performance statement -**
19 **definitions - repeal.** (2) **Definitions.** As used in this section, unless the
20 context otherwise requires:

21 (a) ~~(f)~~ "Air-source heat pump system" means a system that:

22 ~~(A)~~ (I) Is certified pursuant to the federal environmental
23 protection agency's Energy Star program OR MEETS THE QUALIFICATION
24 CRITERIA OF THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S
25 ENERGY STAR PROGRAM'S COLD-CLIMATE HEAT PUMP DESIGNATION;

26 ~~(B)~~ Has a variable speed compressor; and

27 ~~(C)~~ (II) Is listed in the Air-conditioning, Heating, and

1 Refrigeration Institute directory of certified product performance as a
2 matched system;

3 (III) IN THE CASE OF RESIDENTIAL INSTALLATIONS, IS SIZED BASED
4 ON BUILDING LOADS CALCULATED IN ACCORDANCE WITH THE LATEST
5 EDITION OF "MANUAL J - RESIDENTIAL LOAD CALCULATION", PUBLISHED
6 BY THE AIR CONDITIONING CONTRACTORS OF AMERICA; AND

7 (IV) INCLUDES PRINTED INFORMATION GIVEN TO THE PROPERTY
8 OWNER AND ATTACHED TO THE HEAT PUMP DESCRIBING THE HEAT PUMP
9 MODEL'S PERFORMANCE IN COLD TEMPERATURES AND THE APPLICABILITY
10 OF ANY SUPPLEMENTAL HEAT.

11 ~~(H) "Air-source heat pump system" may include supplemental~~
12 ~~heat so long as:~~

13 ~~(A) The air-source heat pump is used as the primary source of a~~
14 ~~building's heat and is designed to supply at least eighty percent of total~~
15 ~~annual heating for the building; and~~

16 ~~(B) The system is capable of distributing produced heat to all~~
17 ~~conditioned areas of the building.~~

18 ~~(H) "Air-source heat pump system" includes mechanical and~~
19 ~~electrical equipment central to the operation of an air-source heat pump,~~
20 ~~including an upgraded electrical panel if necessary.~~

21 (g) ~~(H)~~ "Ground-source heat pump system" means a system that:

22 ~~(A)~~ (I) Is certified pursuant to the federal environmental
23 protection agency's Energy Star program;

24 ~~(B)~~ (II) Conforms to all applicable municipal, state, and federal
25 codes, standards, regulations, and certifications;

26 ~~(C)~~ (III) Has blowers that are variable speed OR MULTISPEED,
27 high-efficiency motors that meet or exceed efficiency levels listed in the

1 National Electrical Manufacturers Association MG 1-1993 publication;
2 and

3 ~~(D)~~ (IV) Complies with all state and local drinking water
4 guidelines and regulations and public water system requirements; AND

5 (V) IN THE CASE OF RESIDENTIAL INSTALLATIONS, IS BASED ON
6 BUILDING LOADS CALCULATED IN ACCORDANCE WITH THE LATEST EDITION
7 OF "MANUAL J - RESIDENTIAL LOAD CALCULATION", PUBLISHED BY THE
8 AIR CONDITIONING CONTRACTORS OF AMERICA.

9 ~~(H)~~ "Ground-source heat pump system" may include supplemental
10 heat so long as:

11 ~~(A)~~ The ground-source heat pump is used as the primary source
12 of a building's heat and is designed to supply at least eighty percent of
13 total annual heating for the building; and

14 ~~(B)~~ The system is capable of distributing produced heat to all
15 conditioned areas of the building.

16 ~~(H)~~ "Ground-source heat pump system" includes mechanical and
17 electrical equipment central to the operation of a ground-source heat
18 pump, including an upgraded electrical panel if necessary.

19 ~~(IV)~~ "Ground-source heat pump system" may include a heat
20 exchanger for water heating.

21 (p) ~~(F)~~ "Variable refrigerant flow heat pump system" means a
22 system that:

23 ~~(A)~~ (I) Is certified pursuant to the federal environmental
24 protection agency's Energy Star program OR MEETS THE QUALIFICATION
25 CRITERIA OF THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S
26 ENERGY STAR PROGRAM'S COLD-CLIMATE LIGHT COMMERCIAL HEAT PUMP
27 DESIGNATION;

1 ~~(B)~~ (II) Conforms to all applicable municipal, state, and federal
2 codes, standards, regulations, and certifications;

3 ~~(C)~~ (III) Has blowers that are variable speed OR MULTISPEED,
4 high-efficiency motors that meet or exceed efficiency levels listed in the
5 National Electrical Manufacturers Association ~~MGI-1993~~ MG 1-1993
6 publication; and

7 ~~(D)~~ (IV) Complies with all state and local drinking water
8 guidelines and regulations and public water system and wastewater
9 system requirements.

10 ~~(H)~~ "Variable refrigerant flow system" may include supplemental
11 heat so long as:

12 ~~(A)~~ The variable refrigerant flow system is used as the primary
13 source of a building's heat and is designed to supply at least eighty
14 percent of the total annual heating for the building; and

15 ~~(B)~~ The system is capable of distributing produced heat to all
16 conditioned areas of the building.

17 ~~(H)~~ "Variable refrigerant flow system" includes mechanical and
18 electrical equipment central to the operation of a variable refrigerant flow
19 system.

20 (q) ~~(H)~~ "Water-source heat pump system" means a system that:

21 ~~(A)~~ (I) Is certified pursuant to the federal environmental
22 protection agency's Energy Star program;

23 ~~(B)~~ (II) Conforms to all applicable municipal, state, and federal
24 codes, standards, regulations, and certifications;

25 ~~(C)~~ (III) Has blowers that are variable speed OR MULTISPEED,
26 high-efficiency motors that meet or exceed efficiency levels listed in the
27 National Electrical Manufacturers Association MG 1-1993 publication;

1 and

2 ~~(D)~~ (IV) Complies with all state and local drinking water
3 guidelines and regulations and public water system and wastewater
4 system requirements.

5 ~~(H) "Water-source heat pump system" may include supplemental~~
6 ~~heat so long as:~~

7 ~~(A) The water-source heat pump is used as the primary source of~~
8 ~~a building's heat and is designed to supply at least eighty percent of the~~
9 ~~total annual heating for the building; and~~

10 ~~(B) The system is capable of distributing produced heat to all~~
11 ~~conditioned areas of the building.~~

12 ~~(H) "Water-source heat pump system" includes mechanical and~~
13 ~~electrical equipment central to the operation of a water-source heat pump.~~

14 (3) (c) Subject to the modifications set forth in subsection (3)(d)
15 of this section and the annual review required pursuant to subsection
16 (3)(e) of this section and except as otherwise provided in subsection (3)(f)
17 of this section, the amount of the credit allowed pursuant to this section
18 is calculated as follows:

19 (I) For the installation of an air-source heat pump system or a
20 variable refrigerant flow heat system, ONE THOUSAND DOLLARS PER TON
21 OF COOLING;

22 ~~(A) For tax years commencing on or after January 1, 2024, but~~
23 ~~before January 1, 2026, one thousand five hundred dollars;~~

24 ~~(B) For tax years commencing on or after January 1, 2026, but~~
25 ~~before January 1, 2029, one thousand dollars; and~~

26 ~~(C) For tax years commencing on or after January 1, 2029, but~~
27 ~~before January 1, 2033, five hundred dollars;~~

1 (II) For the installation of a ground-source heat pump system,
2 water-source heat pump system, a combined air-source and ground-source
3 heat pump system, a combined water-source and ground-source heat
4 pump system, a combined variable refrigerant flow and ground-source
5 heat pump system, or a combined variable refrigerant flow and
6 water-source heat pump system, TWO THOUSAND DOLLARS PER TON OF
7 COOLING; AND

8 ~~(A) For tax years commencing on or after January 1, 2024, but~~
9 ~~before January 1, 2026, three thousand dollars;~~

10 ~~(B) For tax years commencing on or after January 1, 2026, but~~
11 ~~before January 1, 2029, two thousand dollars; and~~

12 ~~(C) For tax years commencing on or after January 1, 2029, but~~
13 ~~before January 1, 2033, one thousand dollars; and~~

14 (III) For the installation of a heat pump water heater, FIVE
15 HUNDRED DOLLARS.

16 ~~(A) For tax years commencing on or after January 1, 2024, but~~
17 ~~before January 1, 2026, five hundred dollars; and~~

18 ~~(B) For tax years commencing on or after January 1, 2026, but~~
19 ~~before January 1, 2033, two hundred fifty dollars.~~

20 (f) If the June 2025 revenue forecast, and each June revenue
21 forecast through the June 2031 revenue forecast as prepared by either
22 legislative council staff or the office of state planning and budgeting,
23 projects that state revenues, as defined in section 24-77-103.6 (6)(c), will
24 not increase by at least four percent for the next STATE fiscal year, the
25 amount of the credit allowed pursuant to subsection ~~(3)(c)(I)(B);~~
26 ~~(3)(c)(I)(C), (3)(c)(II)(B), (3)(c)(II)(C), or (3)(c)(III)(B)~~ (3)(c) of this
27 section, as may be modified by subsections (3)(d) and (3)(e) of this

1 section, for any tax year commencing in the calendar year that begins
2 during said next STATE fiscal year is reduced by fifty percent if the heat
3 pump technology is installed at an existing residential or nonresidential
4 building; except that, if the amount of the reduced credit is equal to or
5 less than two hundred fifty dollars, then no credit is available for such a
6 tax year.

7 (7.5) NO LATER THAN FEBRUARY 1, 2025, THE OFFICE SHALL POST
8 INFORMATION ABOUT THE CREDIT ON THE OFFICE'S WEBSITE AND
9 DISTRIBUTE THE INFORMATION ABOUT THE CREDIT TO RELEVANT TRADE
10 ASSOCIATIONS.

11 **SECTION 6.** In Colorado Revised Statutes, 39-26-732, **amend**
12 (2)(a), (2)(b), (2)(e), and (2)(f) as follows:

13 **39-26-732. Heat pump systems - tax preference performance**
14 **statement - legislative declaration - definitions - repeal.** (2) As used
15 in this section, unless the context otherwise requires:

16 (a) ~~(f)~~ "Air-source heat pump system" ~~means a system that:~~ HAS
17 THE MEANING SET FORTH IN SECTION 39-22-554 (2).

18 ~~(A) Is certified pursuant to the federal environmental protection~~
19 ~~agency's energy star program;~~

20 ~~(B) Has a variable speed compressor;~~

21 ~~(C) Is listed in the air-conditioning, heating, and refrigeration~~
22 ~~institute directory of certified product performance as a matched system;~~
23 ~~and~~

24 ~~(D) Is installed by a licensed contractor, plumber, or employee of~~
25 ~~a gas utility in accordance with the national electrical code and the~~
26 ~~manufacturer's specifications.~~

27 ~~(H) "Air-source heat pump system" may include an electric~~

1 resistance heating element or a dual fuel system for supplemental heat so
2 long as:

3 ~~(A) The air-source heat pump is used as the primary source of a~~
4 ~~building's heat and is designed to supply at least eighty percent of total~~
5 ~~annual heating for the building;~~

6 ~~(B) The system is capable of distributing produced heat to all~~
7 ~~conditioned areas of the building;~~

8 ~~(C) The dual fuel system has a furnace with an annual fuel~~
9 ~~utilization efficiency rating of ninety percent or higher;~~

10 ~~(D) All piping for a split system is installed by technicians~~
11 ~~certified to the NITC R78 brazing procedure; and~~

12 ~~(E) The system is installed by technicians that are trained on the~~
13 ~~safe handling of flammable refrigerants.~~

14 ~~(H) "Air-source heat pump system" includes mechanical and~~
15 ~~electrical equipment central to the operation of an air-source heat pump,~~
16 ~~including an upgraded electrical panel if necessary.~~

17 ~~(b) (†) "Ground-source heat pump system" means a system that:~~
18 ~~HAS THE MEANING SET FORTH IN SECTION 39-22-554 (2).~~

19 ~~(A) Is certified to the international organization for~~
20 ~~standardization's latest standards;~~

21 ~~(B) Is installed by a licensed contractor, plumber, or employee of~~
22 ~~a gas utility in accordance with the national electric code and~~
23 ~~manufacturer's specifications;~~

24 ~~(C) Conforms to all applicable municipal, state, and federal codes,~~
25 ~~standards, regulations, and certifications;~~

26 ~~(D) Has blowers that are variable speed, high-efficiency motors~~
27 ~~that meet or exceed efficiency levels listed in the national electrical~~

1 manufacturers association MG1-1993 publication; and
2 (E) ~~Complies with all state and local drinking water guidelines~~
3 ~~and regulations and public water system requirements.~~
4 (H) ~~"Ground-source heat pump system" may include a dual fuel~~
5 ~~system so long as:~~
6 (A) ~~The ground-source heat pump is used as the primary source~~
7 ~~of a building's heat and is designed to supply at least eighty percent of~~
8 ~~total annual heating for the building;~~
9 (B) ~~The system is capable of distributing produced heat to all~~
10 ~~conditioned areas of the building;~~
11 (C) ~~The furnace has an annual fuel utilization efficiency rating of~~
12 ~~ninety percent or higher;~~
13 (D) ~~All piping for a split system is installed by technicians~~
14 ~~certified to the NITC R78 brazing procedure; and~~
15 (E) ~~The system is installed by technicians that are trained on the~~
16 ~~safe handling of flammable refrigerants.~~
17 (HH) ~~"Ground-source heat pump system" includes mechanical and~~
18 ~~electrical equipment central to the operation of a ground-source heat~~
19 ~~pump, including an upgraded electrical panel if necessary.~~
20 (IV) ~~"Ground-source heat pump system" may include a heat~~
21 ~~exchanger for water heating.~~
22 (e) (f) ~~"Water-source heat pump system" means a system that: HAS~~
23 ~~THE MEANING SET FORTH IN SECTION 39-22-554 (2).~~
24 (A) ~~Is certified to the international organization for~~
25 ~~standardization's latest standards;~~
26 (B) ~~Is installed by a licensed contractor, plumber, or employee of~~
27 ~~a gas or wastewater utility in accordance with the national electric code~~

1 and manufacturer's specifications;

2 ~~(C) Conforms to all applicable municipal, state, and federal codes,~~
3 ~~standards, regulations, and certifications;~~

4 ~~(D) Has blowers that are variable speed, high-efficiency motors~~
5 ~~that meet or exceed efficiency levels listed in the national electrical~~
6 ~~manufacturers association MG1-1993 publication; and~~

7 ~~(E) Complies with all state and local drinking water guidelines~~
8 ~~and regulations and public water system and wastewater system~~
9 ~~requirements.~~

10 ~~(H) "Water-source heat pump system" may include a dual fuel~~
11 ~~system so long as:~~

12 ~~(A) The water-source heat pump is used as the primary source of~~
13 ~~a building's heat and is designed to supply at least eighty percent of the~~
14 ~~total annual heating for the building;~~

15 ~~(B) The system is capable of distributing produced heat to all~~
16 ~~conditioned areas of the building;~~

17 ~~(C) The furnace has an annual fuel utilization efficiency rating of~~
18 ~~ninety percent or higher;~~

19 ~~(D) All piping for a split system is installed by technicians~~
20 ~~certified to the NITC R78 brazing procedure; and~~

21 ~~(E) The system is installed by technicians who are trained in the~~
22 ~~safe handling of flammable refrigerants.~~

23 ~~(H) "Water-source heat pump system" includes mechanical and~~
24 ~~electrical equipment central to the operation of a water-source heat pump.~~

25 ~~(f) (H) "Variable refrigerant flow heat pump system" means a~~
26 ~~system that: HAS THE MEANING SET FORTH IN SECTION 39-22-554 (2).~~

27 ~~(A) Is certified to the international organization for~~

- 1 standardization's latest standards;
- 2 (B) Is installed by a licensed contractor, plumber, or employee of
3 a gas or wastewater utility in accordance with the national electric code
4 and manufacturer's specifications;
- 5 (C) Conforms to all applicable municipal, state, and federal codes,
6 standards, regulations, and certifications;
- 7 (D) Has blowers that are variable speed, high-efficiency motors
8 that meet or exceed efficiency levels listed in the national electrical
9 manufacturers association MGI-1993 publication; and
- 10 (E) Complies with all state and local drinking water guidelines
11 and regulations and public water system and wastewater system
12 requirements.
- 13 (H) "Variable refrigerant flow system" may include a dual fuel
14 system so long as:
- 15 (A) The variable refrigerant flow system is used as the primary
16 source of a building's heat and is designed to supply at least eighty
17 percent of the total annual heating for the building;
- 18 (B) The system is capable of distributing produced heat to all
19 conditioned areas of the building;
- 20 (C) The furnace has an annual fuel utilization efficiency rating of
21 ninety percent or higher;
- 22 (D) All piping for a split system is installed by technicians
23 certified to the NITC R78 brazing procedure; and
- 24 (E) The system is installed by technicians who are trained in the
25 safe handling of flammable refrigerants.
- 26 (I) "Variable refrigerant flow system" includes mechanical and
27 electrical equipment central to the operation of a variable refrigerant flow

1 system.

2 **SECTION 7.** In Colorado Revised Statutes, 39-22-629, **amend**

3 (1)(a) as follows:

4 **39-22-629. Advance payments of income tax credits -**
5 **definitions.** (1) As used in this section, unless the context otherwise
6 requires:

7 (a) "Applicable credit" means the credits allowed in sections
8 39-22-516.7, 39-22-516.8, **39-22-554.5**, and 39-22-555.

9 **SECTION 8.** In Colorado Revised Statutes, **add** 40-3.2-110 as
10 follows:

11 **40-3.2-110. Requirements related to heat pumps - definitions.**

12 (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
13 REQUIRES, "HEAT PUMP" MEANS AN ELECTRICALLY POWERED DEVICE THAT
14 USES THE REFRIGERATION CYCLE TO TRANSFER THERMAL ENERGY FROM
15 ONE LOCATION TO ANOTHER.

16 (2) ON OR BEFORE APRIL 1, 2025, A PUBLIC UTILITY THAT
17 PROVIDES ELECTRICITY SHALL SUBMIT TO THE COMMISSION A PROPOSAL
18 FOR A SPECIFIC VOLUNTARY RATE OR RATES FOR ELECTRICITY SUPPLIED TO
19 RESIDENTIAL CUSTOMERS WHO UTILIZE A HEAT PUMP AS THEIR PRIMARY
20 HEATING SOURCE.

21 **SECTION 9.** In Colorado Revised Statutes, **add** article 7.7 to title
22 6 as follows:

23 **ARTICLE 7.7**

24 **Standards for Construction Projects**

25 **that Receive State Financial Assistance**

26 **6-7.7-101. Legislative declaration.** (1) THE GENERAL ASSEMBLY
27 FINDS THAT:

1 (a) APPLIANCES CERTIFIED BY THE ENERGY STAR PROGRAM MEET
2 STRICT ENERGY EFFICIENCY AND PERFORMANCE GUIDELINES SET BY THE
3 FEDERAL ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED STATES
4 DEPARTMENT OF ENERGY AND CAN SAVE AN ESTIMATED TWENTY TO
5 THIRTY PERCENT MORE ENERGY THAN APPLIANCES THAT ARE NOT
6 CERTIFIED BY THE ENERGY STAR PROGRAM;

7 (b) NEW BUILDING CONSTRUCTION PROJECTS THAT USE TAXPAYER
8 DOLLARS TO PURCHASE EQUIPMENT SHOULD ENSURE THAT THE EQUIPMENT
9 HAS LOWER LIFETIME COSTS TO OPERATE AND MAINTAIN;

10 (c) MANY PROJECTS THAT RECEIVE STATE FINANCIAL ASSISTANCE
11 AIM TO ASSIST VULNERABLE LOWER-INCOME HOUSEHOLDS, AND
12 INSTALLING APPLIANCES CERTIFIED BY THE ENERGY STAR PROGRAM
13 COULD LOWER THE COSTS OF THE ENERGY BILLS OF THESE HOUSEHOLDS
14 OVER TIME; AND

15 (d) SAVING ENERGY IS CRUCIAL IN:

16 (I) AVOIDING THE MOST SERIOUS EFFECTS OF CLIMATE CHANGE
17 AND PRESERVING COLORADO'S WAY OF LIFE, THE HEALTH OF
18 COMMUNITIES, AND THE NATURAL ENVIRONMENT;

19 (II) ACHIEVING THE STATEWIDE GREENHOUSE GAS EMISSION
20 REDUCTION GOALS; AND

21 (III) REDUCING COSTS FOR COLORADANS.

22 (2) THE GENERAL ASSEMBLY THEREFORE DETERMINES AND
23 DECLARES THAT IT IS IN THE PUBLIC INTEREST OF THE HEALTH AND
24 ENVIRONMENT OF THE STATE TO REQUIRE THAT NEW BUILDING
25 CONSTRUCTION PROJECTS THAT RECEIVE STATE FINANCIAL ASSISTANCE
26 USE COVERED ENERGY-CONSUMING PRODUCTS THAT ARE CERTIFIED BY
27 THE ENERGY STAR PROGRAM.

1 **6-7.7-102. Definitions.** AS USED IN THIS ARTICLE 7.7, UNLESS THE
2 CONTEXT OTHERWISE REQUIRES:

3 (1) "COVERED ENERGY-CONSUMING PRODUCT" MEANS AN
4 APPLIANCE, DEVICE, OR PIECE OF EQUIPMENT THAT IS:

5 (a) POWERED BY ELECTRICITY OR FUEL;

6 (b) DESIGNED TO PERFORM ONE OR MORE SPECIFIC TASKS INSIDE
7 A RESIDENTIAL OR COMMERCIAL BUILDING, SUCH AS COOKING, WASHING,
8 DRYING, HEATING, COOLING, PROVIDING DOMESTIC HOT WATER, PRINTING,
9 OR DIGITAL ENTERTAINMENT; AND

10 (c) COVERED WITHIN THE SCOPE OF THE ENERGY STAR PROGRAM.

11 (2) "ENERGY STAR PROGRAM" MEANS THE FEDERAL PROGRAM
12 AUTHORIZED BY 42 U.S.C. SEC. 6294a, AS AMENDED.

13 (3) "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN
14 SECTION 24-38.5-101 (1).

15 (4) "SOCIAL COST OF CARBON" MEANS THE SOCIAL COST OF
16 CARBON DIOXIDE DEVELOPED BY THE PUBLIC UTILITIES COMMISSION
17 PURSUANT TO SECTION 40-3.2-106.

18 (5) "STATE FINANCIAL ASSISTANCE" MEANS TAX CREDITS, TAX
19 EXEMPTIONS, STATE TAXPAYER FUNDS, REBATES, GRANTS, OR LOANS
20 PROVIDED OR ADMINISTERED BY THE STATE.

21 **6-7.7-103. Energy-efficiency standards for certain building**
22 **construction projects that receive state financial assistance - record**
23 **retention requirements - waivers - exemptions - standardized**
24 **resources - enforcement - civil penalties.** (1) ON AND AFTER JANUARY
25 1, 2025, EXCEPT AS SET FORTH IN SUBSECTION (3) OR (4) OF THIS SECTION,
26 RECIPIENTS OF STATE FINANCIAL ASSISTANCE FOR NEW BUILDING
27 CONSTRUCTION PROJECTS THAT INCLUDE THE SPECIFICATION, PROVISION,

1 OR PURCHASE OF COVERED ENERGY-CONSUMING PRODUCTS SHALL USE
2 COVERED ENERGY-CONSUMING PRODUCTS CERTIFIED BY THE ENERGY
3 STAR PROGRAM.

4 (2) ON AND AFTER JANUARY 1, 2025, A STATE AGENCY THAT
5 PROVIDES OR ADMINISTERS STATE FINANCIAL ASSISTANCE FOR A NEW
6 BUILDING CONSTRUCTION PROJECT SHALL:

7 (a) INCLUDE THE REQUIREMENTS OF SUBSECTION (1) OF THIS
8 SECTION IN THE STATE AGENCY'S CRITERIA OR GUIDANCE FOR APPLYING
9 FOR OR RECEIVING STATE FINANCIAL ASSISTANCE;

10 (b) REQUEST AN AFFIDAVIT SIGNED BY A RECIPIENT OF STATE
11 FINANCIAL ASSISTANCE THAT DECLARES THAT:

12 (I) THE REQUIREMENTS OF SUBSECTION (1) OF THIS SECTION HAVE
13 BEEN OR WILL BE FOLLOWED; OR

14 (II) THE RECIPIENT OF THE STATE FINANCIAL ASSISTANCE IS
15 REQUESTING A WAIVER PURSUANT TO SUBSECTION (3) OF THIS SECTION;

16 (c) RESPOND TO WAIVER REQUESTS RECEIVED PURSUANT TO
17 SUBSECTION (3) OF THIS SECTION IN ACCORDANCE WITH THE GUIDANCE
18 PROVIDED BY THE OFFICE PURSUANT TO SUBSECTION (5) OF THIS SECTION;

19 (d) SUBMIT ANY AFFIDAVITS RECEIVED PURSUANT TO SUBSECTION
20 (2)(b) OF THIS SECTION, ANY WAIVER REQUESTS RECEIVED PURSUANT TO
21 SUBSECTION (3) OF THIS SECTION, AND ANY RESPONSES TO WAIVER
22 REQUESTS RECEIVED PURSUANT TO SUBSECTION (2)(c) OF THIS SECTION IN
23 THE PREVIOUS CALENDAR YEAR TO THE DEPARTMENT AND THE OFFICE;

24 AND

25 (e) RETAIN ANY AFFIDAVIT RECEIVED PURSUANT TO SUBSECTION
26 (2)(b) OF THIS SECTION, ANY WAIVER REQUESTS RECEIVED PURSUANT TO
27 SUBSECTION (3) OF THIS SECTION, AND ANY RESPONSES TO WAIVER

1 REQUESTS PROVIDED PURSUANT TO SUBSECTION (2)(c) OF THIS SECTION
2 FOR AT LEAST SEVEN YEARS AFTER THE AFFIDAVIT OR WAIVER HAS BEEN
3 ISSUED OR DENIED.

4 (3) A STATE AGENCY THAT PROVIDES OR ADMINISTERS STATE
5 FINANCIAL ASSISTANCE FOR NEW BUILDING CONSTRUCTION PROJECTS MAY
6 ISSUE A STANDARDIZED WAIVER FROM THE REQUIREMENTS OF SUBSECTION
7 (1) OF THIS SECTION FOR A NEW BUILDING CONSTRUCTION PROJECT IF THE
8 RECIPIENT DEMONSTRATES, THROUGH EVIDENCE AND ATTESTATION FROM
9 A LICENSED PROFESSIONAL ENGINEER OR DESIGN PROFESSIONAL, THAT:

10 (a) NO COVERED ENERGY-CONSUMING PRODUCT CERTIFIED BY THE
11 ENERGY STAR PROGRAM AND THAT MEETS THE FUNCTIONAL
12 REQUIREMENTS OF THE PROJECT IS REASONABLY AVAILABLE TO THE
13 APPLICANT; OR

14 (b) TAKING ENERGY COST SAVINGS AND THE SOCIAL COST OF
15 CARBON INTO ACCOUNT, NO COVERED ENERGY-CONSUMING PRODUCT
16 CERTIFIED BY THE ENERGY STAR PROGRAM IS COST-EFFECTIVE OVER THE
17 LIFE OF THE PRODUCT.

18 (4) THE FOLLOWING NEW BUILDING CONSTRUCTION PROJECTS ARE
19 EXEMPT FROM THE REQUIREMENTS OF THIS SECTION:

20 (a) PROJECTS THAT HAVE PASSED THE DESIGN PHASE AND WOULD
21 REQUIRE SIGNIFICANT REDESIGN TO INCLUDE A COVERED
22 ENERGY-CONSUMING PRODUCT CERTIFIED BY THE ENERGY STAR
23 PROGRAM; AND

24 (b) PROJECTS THAT HAVE RECEIVED A PERMIT FROM A LOCAL
25 GOVERNMENT FOR THE USE OF A COVERED ENERGY-CONSUMING PRODUCT
26 BEFORE JANUARY 1, 2025.

27 (5) (a) ON OR BEFORE DECEMBER 1, 2024, THE OFFICE SHALL

1 CREATE AND DISTRIBUTE TO STATE AGENCIES THAT PROVIDE OR
2 ADMINISTER STATE FINANCIAL ASSISTANCE THE FOLLOWING
3 STANDARDIZED RESOURCES:

4 (I) DETAILED GUIDANCE AND CRITERIA FOR ISSUING A WAIVER
5 PURSUANT TO SUBSECTION (3) OF THIS SECTION;

6 (II) A FORM FOR AN APPLICANT TO PROVIDE AN AFFIDAVIT
7 PURSUANT TO SUBSECTION (2)(b) OF THIS SECTION; AND

8 (III) A FORM FOR AN APPLICANT TO REQUEST A WAIVER PURSUANT
9 TO SUBSECTION (3) OF THIS SECTION.

10 (b) ON OR BEFORE DECEMBER 1, 2025, AND PERIODICALLY
11 THEREAFTER, THE OFFICE SHALL UPDATE THE STANDARDIZED RESOURCES
12 DESCRIBED IN SUBSECTION (5)(a) OF THIS SECTION AND DISTRIBUTE THE
13 UPDATED STANDARDIZED RESOURCES TO STATE AGENCIES THAT PROVIDE
14 OR ADMINISTER STATE FINANCIAL ASSISTANCE.

15 (6) IF THE ATTORNEY GENERAL HAS PROBABLE CAUSE TO BELIEVE
16 THAT A PERSON HAS VIOLATED OR CAUSED ANOTHER PERSON TO VIOLATE
17 SUBSECTION (1) OF THIS SECTION, THE ATTORNEY GENERAL MAY BRING A
18 CIVIL ACTION ON BEHALF OF THE STATE TO SEEK THE ASSESSMENT OF A
19 CIVIL PENALTY OF UP TO THE TOTAL AMOUNT OF STATE FINANCIAL
20 ASSISTANCE RECEIVED BY THE VIOLATOR ON OR AFTER JANUARY 1, 2025,
21 WHICH AMOUNT MUST BE TRANSMITTED TO THE STATE TREASURER, WHO
22 SHALL CREDIT THE AMOUNT TO THE ENERGY FUND CREATED IN SECTION
23 24-38.5-102.4 (1)(a)(I).

24 **SECTION 10.** In Colorado Revised Statutes, 6-7.5-105, **amend**
25 (5)(j) as follows:

26 **6-7.5-105. Standards - effective dates - repeal.** (5) On and after
27 January 1, 2026, a person shall not sell, offer to sell, lease, or offer to

1 lease any of the following new products in Colorado unless the efficiency
2 of the new product meets or exceeds the following efficiency standards,
3 as applicable:

4 (j) (I) ~~Residential windows, residential doors, and residential~~
5 ~~skylights included in the scope of the Energy Star program product~~
6 ~~specification for residential windows, doors, and skylights must satisfy~~
7 ~~the northern climate zone qualification criteria of that specification;~~
8 ~~except that residential windows and doors that are custom designed for~~
9 ~~a historically designated building and required in order to maintain the~~
10 ~~historic nature or character of such a building are not required to satisfy~~
11 ~~such criteria~~ EXCEPT AS SET FORTH IN SUBSECTION (5)(j)(III) OF THIS
12 SECTION, RESIDENTIAL WINDOWS, RESIDENTIAL DOORS, AND RESIDENTIAL
13 SKYLIGHTS INCLUDED IN THE SCOPE OF THE MOST RECENT EDITION OF THE
14 INTERNATIONAL ENERGY CONSERVATION CODE MUST MEET THE
15 REQUIREMENTS FOR CLIMATE ZONE 5 IN THE "PRESCRIPTIVE MAXIMUM
16 ASSEMBLY U-FACTORS AND FENESTRATION REQUIREMENTS" FROM THE
17 INTERNATIONAL ENERGY CONSERVATION CODE.

18 (II) THE UPDATED REQUIREMENTS REFERENCED IN SUBSECTION
19 (5)(j)(I) OF THIS SECTION TAKE EFFECT ONE YEAR AFTER THE PUBLICATION
20 OF THE MOST RECENT EDITION OF THE INTERNATIONAL ENERGY
21 CONSERVATION CODE.

22 (III) RESIDENTIAL WINDOWS AND DOORS THAT ARE CUSTOM
23 DESIGNED FOR A HISTORICALLY DESIGNATED BUILDING AND REQUIRED IN
24 ORDER TO MAINTAIN THE HISTORIC NATURE OR CHARACTER OF THE
25 BUILDING ARE NOT REQUIRED TO SATISFY THE CRITERIA DESCRIBED IN
26 SUBSECTION (5)(j)(I) OF THIS SECTION.

27 **SECTION 11.** In Colorado Revised Statutes, 39-22-545, **amend**

1 (2)(a), (2)(b), (2)(i), and (2)(j) as follows:

2 **39-22-545. Credit against tax - heat pump systems - heat pump**
3 **water heaters - tax preference performance statement - legislative**
4 **declaration - definitions - repeal.** (2) As used in this section, unless the
5 context otherwise requires:

6 (a) "Air-source heat pump system" has the same meaning AS set
7 forth in section ~~39-26-732 (2)(a)~~ 39-22-554 (2).

8 (b) "Ground-source heat pump system" has the same meaning AS
9 set forth in section ~~39-26-732 (2)(b)~~ 39-22-554 (2).

10 (i) "Variable refrigerant flow heat pump system" has the same
11 meaning AS set forth in section ~~39-26-732 (2)(f)~~ 39-22-554 (2).

12 (j) "Water-source heat pump system" has the same meaning AS set
13 forth in section ~~39-26-732 (2)(e)~~ 39-22-554 (2).

14 **SECTION 12. Applicability.** This act applies to conduct
15 occurring on or after the effective date of this act.

16 **SECTION 13. Safety clause.** The general assembly finds,
17 determines, and declares that this act is necessary for the immediate
18 preservation of the public peace, health, or safety or for appropriations for
19 the support and maintenance of the departments of the state and state
20 institutions.