

First Regular Session  
Seventy-fifth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 25-0215.01 Jed Franklin x5484

SENATE BILL 25-026

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SENATE SPONSORSHIP

**Mullica**, Frizell, Weissman

HOUSE SPONSORSHIP

**Marshall and Joseph**,

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Senate Committees  
Finance

House Committees

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A BILL FOR AN ACT

101 CONCERNING THE ADJUSTMENT OF CERTAIN TAX EXPENDITURES.

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/>.)*

**Legislative Oversight Committee Concerning Tax Policy.** The bill adjusts several tax expenditures as follows:

- **Section 1** of the bill disallows the income tax credit for unsalable alcohol after December 31, 2025, and repeals the credit on December 31, 2030;
- Currently, a taxpayer is allowed to deduct up to 2% of the taxable gallons of fuel removed from a fuel terminal to account for fuel that is lost in transit. **Section 2** changes the

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.

- allowance to 1% starting January 1, 2026.
- Currently, for income tax years commencing before January 1, 2025, a purchaser who installs an energy storage system in a residential dwelling may claim an income tax credit in an amount equal to 10% of the purchase price paid by the purchaser for the energy storage system. **Section 3** extends the credit to include subsequent income tax years commencing before January 1, 2027, and extends the repeal of the credit from January 1, 2028, to January 1, 2030.
- Currently, the reducing emissions from lawn equipment income tax credit is available until the tax year beginning January 1, 2027, and the department of revenue is required to issue a report on the credit for each income tax year from January 1, 2025, through January 1, 2028. **Section 4** extends the credit until the tax year beginning January 1, 2029, extends the reporting requirement through January 1, 2030, and extends the repeal date of the credit from December 31, 2033, to December 31, 2035.
- By amending a definition of "agricultural compounds" that is incorporated into the definition of "wholesale sale" used for purposes of the sales and use tax statutes, **section 5** exempts from sales and use tax soil conditioners, plant amendments, plant growth regulators, mulches, compost, soil used for aboveground production of agricultural commodities, manure, fish for non-stocking purposes, fish embryos, and fish eggs beginning January 1, 2026;
- **Section 6** states that the purpose of the insolvency assessments paid insurance premium tax credit is to offset the cost for an insurer paying required assessments into the life and health insurance protection association and that the credit's effectiveness is measured by how many eligible insurers claim the credit and the amount claimed relative to payments into the life and health insurance protection association;
- **Sections 7 and 8** state that the purpose of the state refund income tax deduction is to avoid re-taxing a taxpayer's state income tax refund when a state refund is required to be included as income on the taxpayer's federal return pursuant to the internal revenue code and that the effectiveness of the deduction is measured by the number of taxpayers claiming the deduction and the total amount of state refunds claimed as deductions from Colorado taxable income;
- **Section 9** states that the purpose of the dyed special fuels

and off-road fuel tax excise tax exemption is to entirely exclude dyed diesel or kerosene from the special fuels excise tax where the dyed fuel is used for specified off-road purposes or by governmental entities and that the effectiveness of the exemption is measured by the number of taxpayers claiming the exemption and the amount of tax that would have been paid without the exemption;

- **Section 10** states that the purpose of the off-road fuel use refund is to compensate taxpayers who buy and pay the tax on otherwise taxable fuels for the purpose of using the fuels for specified non-taxable purposes under federal law and that the effectiveness of the refund is measured by the number of taxpayers claiming a refund and the amount of tax that was already collected and is refunded; and
- **Section 11** states that the purpose of the wholesale sales exemption from sales tax is to ensure that sales tax is levied and collected only on a final end sale to a retail consumer and not on wholesale sales and that the effectiveness of the wholesale exemption from sales tax is measured by the number of taxpayers claiming the wholesale exemption from tax and the amount of tax liability not paid.

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

2 **SECTION 1.** In Colorado Revised Statutes, 44-3-503, **amend** (9)  
3 as follows:

4 **44-3-503. Excise tax - records - rules - definition - repeal.**

5 (9) (a) The department shall make a refund or allow a credit to the  
6 manufacturer, the wholesaler, or the holder of a winery direct shipper's  
7 permit, as the case may be, of the amount of the excise tax paid on  
8 alcohol beverages sold in this state when, after payment of the excise tax,  
9 the alcohol beverages are rendered unsalable by reason of destruction or  
10 damage upon submission of evidence satisfactory to the state licensing  
11 authority that the excise tax has actually been paid. Such refund or credit  
12 shall be made by the department within sixty days after the submission of  
13 evidence satisfactory to the department. NO REFUND OR CREDIT IS

1 ALLOWED AFTER DECEMBER 31, 2025.

2 (b) THIS SUBSECTION (9) IS REPEALED, EFFECTIVE DECEMBER 31,  
3 2030.

4 **SECTION 2.** In Colorado Revised Statutes, 39-27-102, **amend**  
5 (1)(b)(I) as follows:

6 **39-27-102. Tax imposed on gasoline and special fuel - deposits**  
7 **- penalties.** (1) (b) (I) In the case of gasoline or special fuel removed  
8 from a terminal, the tax is imposed upon the person first receiving the  
9 gasoline or special fuel at the terminal even if such person is also the  
10 supplier. In the case of gasoline or special fuel removed from a terminal  
11 by a common carrier, the consignor who owns the gasoline or special fuel  
12 removed by the common carrier is deemed to be the remover and first  
13 recipient thereof. The amount of gasoline or special fuel removed is  
14 deemed to be the amount shipped from the terminal, measured in gallons,  
15 as shown by the terminal manifest; except that, FOR TAX YEARS  
16 COMMENCING BEFORE JANUARY 1, 2026, an allowance of two percent of  
17 the total amount of gasoline or special fuel acquired during any calendar  
18 month, AND, FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1,  
19 2026, AN ALLOWANCE OF ONE PERCENT OF THE TOTAL AMOUNT OF  
20 GASOLINE OR SPECIAL FUEL ACQUIRED DURING ANY CALENDAR MONTH, as  
21 shown by terminal manifests, is deducted by the licensed distributor to  
22 cover losses in transit and in unloading the gasoline or special fuel but  
23 there is no allowance for liquefied petroleum gas or removal by bulk  
24 transfer. The ~~two percent~~ allowance provided under this subsection  
25 (1)(b)(I) is allowed whether the terminal is within or without this state.

26 **SECTION 3.** In Colorado Revised Statutes, 39-22-546, **amend**  
27 (3)(a) and (7) as follows:

1           **39-22-546. Credit against tax - residential energy storage**  
2 **systems - tax preference performance statement - legislative**  
3 **declaration - definition - repeal.** (3) (a) For income tax years  
4 commencing on or after January 1, 2023, but before ~~January 1, 2025~~  
5 JANUARY 1, 2027, any purchaser that installs an energy storage system in  
6 a residential dwelling in this state is allowed a credit against the tax  
7 imposed by this article 22 in an amount equal to ten percent of the  
8 purchase price paid by the purchaser for the energy storage system.

9           (7) This section is repealed, effective ~~January 1, 2028~~ JANUARY  
10 1, 2030.

11           **SECTION 4.** In Colorado Revised Statutes, 39-22-550, **amend**  
12 (3)(a), (5), and (6) as follows:

13           **39-22-550. Tax credit for reducing emissions from certain**  
14 **lawn equipment - tax preference performance statement - legislative**  
15 **declaration - definitions - report - repeal.** (3) (a) For income tax years  
16 commencing on or after January 1, 2024, but before ~~January 1, 2027~~  
17 JANUARY 1, 2029, a retailer qualified pursuant to subsection (3)(e)(II) of  
18 this section is allowed a tax credit against the tax imposed pursuant to this  
19 article 22 in an amount equal to thirty-three percent of the aggregate  
20 purchase price for all retail sales of new, electric-powered lawn  
21 equipment that the qualified retailer sold in the state during the tax year.

22           (5) Pursuant to section 39-21-304 (3), notwithstanding section  
23 24-1-136 (11)(a)(I), and for the purpose of providing data that allows the  
24 general assembly and the state auditor to measure the effectiveness of the  
25 tax credit created in subsection (3) of this section, the department of  
26 revenue, on or before January 1, 2025, and on or before January 1 of each  
27 year thereafter through ~~January 1, 2028~~ JANUARY 1, 2030, shall submit to

1 the general assembly and the state auditor a report detailing the sales of  
2 new, electric-powered lawn equipment, as reported by a qualified retailer  
3 claiming the tax credit authorized under subsection (3) of this section.  
4 The tax credit established in this section meets its purpose if sales of new,  
5 gasoline-powered lawn equipment are significantly reduced within five  
6 years after the tax credit becomes effective, as determined by the general  
7 assembly and the state auditor pursuant to section 39-21-304 (3).

8 (6) This section is repealed, effective ~~December 31, 2033~~  
9 DECEMBER 31, 2035.

10 **SECTION 5.** In Colorado Revised Statutes, 39-26-102, **amend**  
11 (19)(c)(II) introductory portion and (19)(c)(II)(C); and **add** (19)(c)(II)(D)  
12 as follows:

13 **39-26-102. Definitions.** As used in this article 26, unless the  
14 context otherwise requires:

15 (19) (c) (II) For purposes of this ~~paragraph (c)~~ SUBSECTION  
16 (19)(c), "agricultural compounds" means:

17 (C) Animal pharmaceuticals that have been approved by the food  
18 and drug administration; OR

19 (D) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
20 1, 2026, SOIL CONDITIONERS, PLANT AMENDMENTS, PLANT GROWTH  
21 REGULATORS, MULCHES, COMPOST, SOIL USED FOR ABOVEGROUND  
22 PRODUCTION OF AGRICULTURAL COMMODITIES, MANURE, FISH FOR  
23 NON-STOCKING PURPOSES, FISH EMBRYOS, AND FISH EGGS.

24 **SECTION 6.** In Colorado Revised Statutes, 10-20-113, **add** (3)  
25 as follows:

26 **10-20-113. Credits for assessments paid - tax offsets.**

27 (3) (a) THE PURPOSE OF THE CREDIT AUTHORIZED IN SUBSECTION (1)(a)

1 OF THIS SECTION IS TO OFFSET THE COST FOR AN INSURER PAYING  
2 REQUIRED ASSESSMENTS INTO THE LIFE AND HEALTH INSURANCE  
3 PROTECTION ASSOCIATION CREATED IN SECTION 10-20-106 (1).

4 (b) THE EFFECTIVENESS OF THE CREDIT AUTHORIZED IN  
5 SUBSECTION (1)(a) OF THIS SECTION IS MEASURED BY HOW MANY ELIGIBLE  
6 INSURERS CLAIM THE CREDIT AND THE AMOUNT CLAIMED RELATIVE TO  
7 PAYMENTS INTO THE LIFE AND HEALTH INSURANCE PROTECTION  
8 ASSOCIATION CREATED IN SECTION 10-20-106 (1).

9 **SECTION 7.** In Colorado Revised Statutes, 39-22-104, **amend**  
10 (4)(e) as follows:

11 **39-22-104. Income tax imposed on individuals, estates, and**  
12 **trusts - single rate - report - tax preference performance statement**  
13 **- legislative declaration - definitions - repeal.** (4) There shall be  
14 subtracted from federal taxable income:

15 (e) (I) The amount of any refund or credit for overpayment of  
16 income taxes imposed by this state or any other taxing jurisdiction to the  
17 extent included in gross income for federal income tax purposes but not  
18 previously allowed as a deduction for Colorado income tax purposes;

19 (II) THE PURPOSE OF THE DEDUCTION AUTHORIZED IN THIS  
20 SUBSECTION (4)(e) IS TO AVOID RE-TAXING A TAXPAYER'S STATE INCOME  
21 TAX REFUND WHEN A STATE REFUND IS REQUIRED TO BE INCLUDED AS  
22 INCOME ON THE TAXPAYER'S FEDERAL RETURN PURSUANT TO THE  
23 INTERNAL REVENUE CODE;

24 (III) THE EFFECTIVENESS OF THE DEDUCTION AUTHORIZED IN THIS  
25 SUBSECTION (4)(e) IS MEASURED BY THE NUMBER OF TAXPAYERS  
26 CLAIMING THE DEDUCTION AND THE TOTAL AMOUNT OF STATE REFUNDS  
27 CLAIMED AS DEDUCTIONS FROM COLORADO TAXABLE INCOME;

1           **SECTION 8.** In Colorado Revised Statutes, 39-22-304, **amend**  
2 (3)(f) as follows:

3           **39-22-304. Net income of corporation - legislative declaration**  
4 **- definitions - repeal.** (3) There shall be subtracted from federal taxable  
5 income:

6           (f) (I) The amount of any refund or credit for overpayment of  
7 income taxes imposed by this state to the extent included in federal  
8 taxable income;

9           (II) THE PURPOSE OF THE DEDUCTION AUTHORIZED IN THIS  
10 SUBSECTION (3)(f) IS TO AVOID RE-TAXING A TAXPAYER'S STATE INCOME  
11 TAX REFUND WHEN A STATE REFUND IS REQUIRED TO BE INCLUDED AS  
12 INCOME ON THE TAXPAYER'S FEDERAL RETURN PURSUANT TO THE  
13 INTERNAL REVENUE CODE; AND

14           (III) THE EFFECTIVENESS OF THE DEDUCTION AUTHORIZED IN THIS  
15 SUBSECTION (3)(f) IS MEASURED BY THE NUMBER OF TAXPAYERS  
16 CLAIMING THE DEDUCTION AND THE TOTAL AMOUNT OF STATE REFUNDS  
17 CLAIMED AS DEDUCTIONS FROM COLORADO TAXABLE INCOME;

18           **SECTION 9.** In Colorado Revised Statutes, 39-27-102.5, **add**  
19 (2.3) as follows:

20           **39-27-102.5. Exemptions on tax imposed - ex-tax purchases -**  
21 **performance statement - definition - repeal.** (2.3) (a) THE PURPOSE OF  
22 THE EXEMPTION AUTHORIZED IN SUBSECTIONS (1.5) AND (2)(a) OF THIS  
23 SECTION IS TO ENTIRELY EXCLUDE DYED DIESEL OR KEROSENE FROM THE  
24 SPECIAL FUELS EXCISE TAX WHERE THE DYED FUEL IS USED FOR SPECIFIED  
25 OFF-ROAD PURPOSES OR BY GOVERNMENTAL ENTITIES.

26           (b) THE EFFECTIVENESS OF THE EXEMPTION AUTHORIZED IN  
27 SUBSECTIONS (1.5) AND (2)(a) OF THIS SECTION IS MEASURED BY THE



1 NUMBER OF TAXPAYERS CLAIMING THE EXEMPTION AND THE AMOUNT OF  
2 TAX THAT WOULD HAVE BEEN PAID WITHOUT THE EXEMPTION.

3 **SECTION 10.** In Colorado Revised Statutes, 39-27-103, **add** (8)  
4 as follows:

5 **39-27-103. Refunds - penalties - checkoff - limits on collections**  
6 **- performance statement.** (8) (a) THE PURPOSE OF THE REFUND  
7 AUTHORIZED IN SUBSECTIONS (2.7) AND (3) OF THIS SECTION IS TO  
8 COMPENSATE TAXPAYERS WHO BUY AND PAY THE TAX ON OTHERWISE  
9 TAXABLE FUELS FOR THE PURPOSE OF USING THE FUELS FOR SPECIFIED  
10 NON-TAXABLE PURPOSES UNDER FEDERAL LAW.

11 (b) THE EFFECTIVENESS OF THE REFUND AUTHORIZED IN  
12 SUBSECTIONS (2.7) AND (3) OF THIS SECTION IS MEASURED BY THE NUMBER  
13 OF TAXPAYERS CLAIMING A REFUND AND THE AMOUNT OF TAX THAT WAS  
14 ALREADY COLLECTED AND IS REFUNDED.

15 **SECTION 11.** In Colorado Revised Statutes, 39-26-102, **amend**  
16 (19)(a) as follows:

17 **39-26-102. Performance statement - definitions.** As used in this  
18 article 26, unless the context otherwise requires:

19 (19) (a) (I) "Wholesale sale" means a sale by wholesalers to retail  
20 merchants, jobbers, dealers, or other wholesalers for resale and does not  
21 include a sale by wholesalers to users or consumers not for resale, and the  
22 latter sales shall be deemed retail sales and subject to the provisions of  
23 this ~~article~~ ARTICLE 26.

24 (II) THE PURPOSE OF THE WHOLESALE SALE EXEMPTION FROM THE  
25 TAX LEVIED PURSUANT TO SECTION 39-26-104 (1)(a) IS TO ENSURE THAT  
26 SALES TAX IS LEVIED AND COLLECTED ONLY ON A FINAL END SALE TO A  
27 RETAIL CONSUMER AND NOT ON WHOLESALE SALES TO AVOID A SINGLE

1 PRODUCT BEING TAXED MULTIPLE TIMES BEFORE IT IS SOLD TO A  
2 CONSUMER.

3 (III) THE EFFECTIVENESS OF THE WHOLESALE EXEMPTION FROM  
4 THE TAX LEVIED PURSUANT TO SECTION 39-26-104 (1)(a) IS MEASURED BY  
5 THE NUMBER OF TAXPAYERS CLAIMING THE WHOLESALE EXEMPTION FROM  
6 TAX AND THE AMOUNT OF TAX LIABILITY NOT PAID.

7 **SECTION 12. Act subject to petition - effective date.** This act  
8 takes effect at 12:01 a.m. on the day following the expiration of the  
9 ninety-day period after final adjournment of the general assembly; except  
10 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
11 of the state constitution against this act or an item, section, or part of this  
12 act within such period, then the act, item, section, or part will not take  
13 effect unless approved by the people at the general election to be held in  
14 November 2026 and, in such case, will take effect on the date of the  
15 official declaration of the vote thereon by the governor.