

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

DRAFT
10.6.21

BILL 10

LLS NO. 22-0193.01 Bob Lackner x4350

INTERIM COMMITTEE BILL

Wildfire Matters Review Committee

BILL TOPIC: "Incentives Promote CO Timber Industry"

A BILL FOR AN ACT

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

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at

*Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

[http://leg.colorado.gov/.](http://leg.colorado.gov/))

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

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

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

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

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

all such qualifying items purchased in any one income tax year. The bill specifies additional requirements concerning the administration of the tax credit.

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

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

4 **23-31-318. Timber industry workforce development program**
5 **- creation - rules - legislative declaration - definitions - repeal.**

6 (1) THE GENERAL ASSEMBLY FINDS, DETERMINES, AND DECLARES THAT:

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

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

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

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

21 (2) AS USED IN THIS SECTION:

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

1 (b) "INTERNSHIP PROGRAM" MEANS THE TIMBER INDUSTRY
2 WORKPLACE DEVELOPMENT PROGRAM CREATED IN SUBSECTION (3) OF THIS
3 SECTION.

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

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

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

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

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

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

27 (c) THE CRITERIA FOR A TIMBER BUSINESS TO USE IN SELECTING

1 QUALIFIED INTERNS, INCLUDING THE REQUIRED EDUCATIONAL EXPERIENCE
2 FOR AN INTERN AND THE ABILITY OF THE INTERN TO PERFORM
3 MEANINGFUL WORK FOR THE BUSINESS;

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

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

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

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

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

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

1 commencing on July 1, 2020, and for fiscal years commencing on or after
2 July 1, 2021, but prior to the fiscal year commencing on ~~July 1, 2026~~
3 JULY 1, 2022, all sales, storage, and use of wood from salvaged trees
4 killed or infested in Colorado by mountain pine beetles or spruce beetles,
5 including but not limited to products such as lumber, furniture built from
6 the salvaged trees, and wood chips or wood pellets generated from the
7 salvaged trees, are exempt from taxation under the provisions of parts 1
8 and 2 of this article 26.

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

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

20 **39-22-543. Credit for purchase of equipment, vehicles, and**
21 **structures used in the timber industry - legislative declaration -**
22 **definitions - repeal.** (1) THE GENERAL ASSEMBLY HEREBY FINDS AND
23 DECLARES THAT THE INTENDED PURPOSE OF THE TAX CREDIT CREATED IN
24 THIS SECTION IS TO REDUCE BASIC OPERATIONAL COSTS FOR BUSINESSES
25 ENGAGED IN THE STATE'S TIMBER INDUSTRY BY ALLOWING SUCH
26 BUSINESSES A SPECIFIED CREDIT AGAINST THEIR INCOME TAXES FOR THEIR
27 PURCHASE OF MECHANIZED EQUIPMENT, VEHICLES, AND EQUIPMENT

1 INFRASTRUCTURE USED TO MAKE WOOD PRODUCTS, THEREBY PROMOTING
2 THE STATE'S TIMBER INDUSTRY.

3 (2) AS USED IN THIS SECTION:

4 (a) "EQUIPMENT INFRASTRUCTURE" MEANS ANY EQUIPMENT USED
5 IN THE MANUFACTURING OF WOOD PRODUCTS AND INCLUDES, WITHOUT
6 LIMITATION, DRY KILNS, SAWMILLS, DEBARKERS, PELLET MILLS, AND
7 STRUCTURES NECESSARY TO ENCLOSE LOGGING OR OTHER OPERATIONS
8 ENGAGED IN BY A TAXPAYER.

9 (b) "QUALIFYING ITEMS" MEANS:

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

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

13 (III) ANY EQUIPMENT INFRASTRUCTURE USED IN THE
14 MANUFACTURING OF WOOD PRODUCTS.

15 (c) "TAXPAYER" MEANS ANY SOLE PROPRIETORSHIP, PARTNERSHIP,
16 LIMITED LIABILITY CORPORATION, SUBCHAPTER S CORPORATION, OR
17 REGULAR CORPORATION DOING BUSINESS IN THE STATE THAT CONCERNS
18 ITSELF WITH FORESTRY, LOGGING, THE TIMBER TRADE, THE PRODUCTION
19 OF WOOD PRODUCTS SUCH AS FURNITURE, AND SECONDARY PRODUCTS
20 SUCH AS WOOD PULP FOR THE PULP AND PAPER INDUSTRY.

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

1 (4) IF THE AMOUNT OF THE CREDIT SPECIFIED IN SUBSECTION (3) OF
2 THIS SECTION EXCEEDS THE AMOUNT OF INCOME TAXES DUE ON THE
3 INCOME OF THE TAXPAYER IN THE INCOME TAX YEAR FOR WHICH THE
4 CREDIT IS BEING CLAIMED, THE AMOUNT OF THE CREDIT NOT USED AS AN
5 OFFSET AGAINST INCOME TAXES IN SAID INCOME TAX YEAR SHALL NOT BE
6 ALLOWED AS A REFUND BUT MAY BE CARRIED FORWARD AS A CREDIT
7 AGAINST SUBSEQUENT YEARS' TAX LIABILITY FOR A PERIOD NOT
8 EXCEEDING FIVE YEARS AND SHALL BE APPLIED FIRST TO THE EARLIEST
9 INCOME TAX YEARS POSSIBLE. ANY AMOUNT OF THE CREDIT THAT IS NOT
10 USED DURING SAID PERIOD SHALL NOT BE REFUNDABLE TO THE TAXPAYER.

11 (5) TO CLAIM A CREDIT UNDER THIS SECTION, A TAXPAYER MUST
12 SUBMIT TO THE DEPARTMENT OF REVENUE WITH DOCUMENTATION IN A
13 FORM SATISFACTORY TO THE DEPARTMENT OF REVENUE THAT
14 DEMONSTRATES THE TAXPAYER PURCHASED THE QUALIFYING ITEM AND
15 THE COST OF THE ITEM PURCHASED BY THE TAXPAYER.

16 (6) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2032.

17 **SECTION 4. Act subject to petition - effective date.** This act
18 takes effect at 12:01 a.m. on the day following the expiration of the
19 ninety-day period after final adjournment of the general assembly; except
20 that, if a referendum petition is filed pursuant to section 1 (3) of article V
21 of the state constitution against this act or an item, section, or part of this
22 act within such period, then the act, item, section, or part will not take
23 effect unless approved by the people at the general election to be held in
24 November 2022 and, in such case, will take effect on the date of the
25 official declaration of the vote thereon by the governor. [ASK
26 COMMITTEE]