

## CHAPTER 364

---

**TAXATION**

---

**HOUSE BILL 26-1289**

BY REPRESENTATIVE(S) Garcia and Brown, Bacon, Boesenecker, Lindsay, Mabrey, McCormick, Nguyen, Rutinel, Sirota, Smith, Story, Willford, Woodrow, Zokaie, McCluskie, Espenoza, Ricks, Titone;  
also SENATOR(S) Weissman, Benavidez, Cutter, Gonzales J., Jodeh, Kipp, Snyder, Coleman.

**AN ACT****CONCERNING MODIFICATION OF CERTAIN TAX EXPENDITURES, AND, IN CONNECTION THEREWITH,  
MAKING AND REDUCING AN APPROPRIATION.**

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

**SECTION 1. Legislative declaration.** The general assembly finds and declares that:

(1) (a) Regular evaluation and maintenance of the tax code is critical to a high-quality tax system;

(b) The office of the state auditor and the general assembly regularly review tax credits, deductions, and exemptions, along with other tax expenditures, and recommend streamlining implementation, assessing ongoing fit with the original purpose, and eliminating outdated or ineffective tax expenditures;

(c) This act is a single tax policy change that makes changes to existing tax expenditures and eliminates others to improve the administrative efficiency of the tax code, reduce administrative burden, better align certain tax expenditures with the general assembly's intent in enacting the tax expenditures, and conform Colorado's tax code with provisions commonly used in other states so that Colorado is less of an outlier compared to the rest of the country in how taxpayers compute their taxes owed;

(d) Any net district revenue gain resulting from the tax policy change in this act is incidental and de minimis; and

---

*Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.*

(e) Therefore, consistent with the Colorado Supreme Court's holding in *TABOR Found. v. Reg'l Transp. Dist.*, 2018 CO 29, that a tax policy change that causes either no net district tax revenue gain or a net district tax revenue gain that is only incidental and de minimis does not require voter approval under section 20 (4)(a) of article X of the state constitution, this act is not a tax policy change that requires voter approval.

(2) (a) Eliminating the administrative and bad debt allowance for fuel tax distributors serves the purposes of:

- (I) Reducing a duplicative benefit; and
- (II) Better aligning Colorado's tax code with those of other states.

(b) According to the office of the state auditor's 2019 evaluation of the tax expenditure, the internal revenue service already provides a tax offset for bad debt, and most surrounding states don't have a similar tax expenditure.

(c) Any revenue gain realized as a result of eliminating the administrative and bad debt allowance for fuel tax distributors is incidental and de minimis.

(3)(a) Eliminating the vendor allowances for the cigarette tax, cigarette inventory tax, tobacco products tax, and nicotine products tax serves the purpose of:

- (I) Better aligning Colorado's tax code with most other tax codes, which don't have similar allowances to reimburse the cost of tax collection; and
- (II) Removes a redundancy in Colorado's tax code, since businesses are already able to deduct these costs from their taxable income.

(b) Any revenue gain realized as a result of eliminating the vendor allowances for the cigarette tax, cigarette inventory tax, tobacco products tax, and nicotine products tax is incidental and de minimis.

(4)(a) Eliminating the sales tax exemption for property used in space flight better serves the purposes of:

- (I) Aligning the Colorado tax code with those of the vast majority of states that don't have a similar tax expenditure; and
- (II) Modernizes Colorado's tax code, since the department of revenue's biannual Tax Profile and Expenditure Report shows that virtually no taxpayers claim the tax expenditure.

(b) Any revenue gain realized as a result of eliminating the sales tax exemption for property used in space flight is incidental and de minimis.

(5) (a) Eliminating the income tax deduction for wages and salaries because of section 280C of the internal revenue code serves the purpose of making Colorado's tax code more neutral between taxpayers. According to the office of the state auditor's 2019 and 2024 evaluations of the tax expenditure, only certain types of

expenses and businesses qualify for the tax expenditure, which results in Colorado's tax code favoring certain types of business activity over others.

(b) Any revenue gain realized as a result of eliminating the income tax deduction for wages and salaries because of section 280C of the internal revenue code is incidental and de minimis.

(6) (a) Reducing the fuel loss deduction tax expenditure from 2% to 1% serves the purposes of:

(I) Better aligning the tax expenditure with how much fuel distributors lose in transit; and

(II) Removes a redundancy in Colorado's tax code, since distributors are already able to deduct these losses from their taxable income.

(b) Any revenue gain realized as a result of reducing the fuel loss deduction tax expenditure is incidental and de minimis.

(7) Restricting the enterprise zone new employee health insurance tax expenditure so that it is only available to those businesses with fewer than fifty employees serves the purposes of eliminating redundancy and better aligning the tax expenditure with the 56th general assembly's intent in creating the tax expenditure. The 56th general assembly created the tax expenditure to incentivize businesses in enterprise zones to offer health insurance to their employees, but, as a result of the 2010 passage of the federal "Affordable Care Act", these businesses are already required to offer their employees insurance. Any revenue gain realized as a result of restricting this tax expenditure is incidental and de minimis.

(8) Restricting the enterprise zone research and experimental income tax credit serves the purpose of better aligning the tax expenditure with the 56th general assembly's intent in creating the tax expenditure by limiting the tax expenditure to businesses that make the largest and most impactful increases in their research and developing spending. Any revenue gain realized as a result of restricting this tax expenditure is incidental and de minimis.

(9) (a) The purpose of updating the method for water's-edge combined reporting for future tax years is to better reflect the original intent for water's-edge combined reporting, close loopholes, and better align Colorado's system of unitary apportionment with federal reporting requirements, while fairly apportioning to Colorado its share of corporations' income attributable to operations in the state.

(b) The updates to the method for water's-edge combined reporting reflect and strengthen the state's tax policy of water's-edge combined reporting. The updates do not change the state's tax policy, is not a new tax, and any revenue gain realized as a result of the updates is incidental and de minimis.

(10) The purpose of eliminating the enterprise zone commercial vehicle investment tax expenditure is to promote efficiency by removing a tax credit that the office of the state auditor's 2020 evaluation of the tax expenditure and the department of revenue's biannual review show very few taxpayers claim. Any

revenue gain realized as a result of eliminating this tax expenditure is incidental and de minimis.

**SECTION 2.** In Colorado Revised Statutes, 24-75-219, **amend** (7)(d)(II) and (7)(d)(III) as follows:

**24-75-219. Transfers - transportation - capital construction - definitions.**

(7) In addition to any other transfers required by this section:

(d)(II) On July 1, 2026, the state treasurer shall transfer ~~fifty million five hundred thousand~~ FORTY-FIVE MILLION SIX HUNDRED THOUSAND dollars from the general fund to the state highway fund;

(III) On each July 1 from July 1, 2027, through July 1, 2031, the state treasurer shall transfer ~~one hundred million~~ NINETY-SIX MILLION FOUR HUNDRED THOUSAND dollars from the general fund to the state highway fund; and

**SECTION 3.** In Colorado Revised Statutes, 29-2-109, **amend** (1)(j); and **add** (1)(k) as follows:

**29-2-109. Contents of use tax ordinances and proposals - repeal.**

(1) The use tax ordinance, resolution, or proposal of any town, city, or county adopted pursuant to this article 2 shall be imposed only for the privilege of using or consuming in the town, city, or county any construction and building materials purchased at retail or for the privilege of storing, using, or consuming in the town, city, or county any motor and other vehicles, purchased at retail on which registration is required, or both. For the purposes of this subsection (1), the term "construction and building materials" shall not include parts or materials utilized in the fabrication, construction, assembly, or installation of passenger tramways, as defined in section 12-150-103 (5), by any ski area operator, as defined in section 33-44-103 (7), or any person fabricating, constructing, assembling, or installing a passenger tramway for a ski area operator. The ordinance, resolution, or proposal may recite that the use tax shall not apply to the storage and use of wood from salvaged trees killed or infested in Colorado by mountain pine beetles or spruce beetles as exempted from the state use tax pursuant to section 39-26-723. The ordinance, resolution, or proposal may recite that the use tax shall not apply to the storage and use of components used in the production of energy, including but not limited to alternating current electricity, from a renewable energy source, as exempted from the state use tax pursuant to section 39-26-724. The ordinance, resolution, or proposal may recite that the use tax shall not apply to the storage and use of eligible decarbonizing building materials, as exempted from the state use tax pursuant to section 39-26-731. The ordinance, resolution, or proposal shall recite that the use tax shall not apply:

(j) To the storage, use, or consumption of any construction and building materials required or made necessary in the performance of any construction contract bid, let, or entered into at any time prior to the effective date of such use tax ordinance, resolution, or proposal; AND

(k) TO THE STORAGE, USE, OR CONSUMPTION OF CONSTRUCTION AND BUILDING MATERIALS BY OR ON BEHALF OF A COMMON CARRIER BY RAIL OPERATING IN INTERSTATE OR FOREIGN COMMERCE WHEN THE STORAGE, USE, OR CONSUMPTION OF THE CONSTRUCTION AND BUILDING MATERIALS IS PURSUANT TO A CONTRACT WITH THE STATE, A DEPARTMENT OR INSTITUTION OF THE STATE, A POLITICAL SUBDIVISION OF THE STATE, OR A SPECIAL DISTRICT THAT ALLOWS THE STATE, A DEPARTMENT OR INSTITUTION OF THE STATE, A POLITICAL SUBDIVISION OF THE STATE, OR A SPECIAL DISTRICT TO USE THE RAILROAD'S PROPERTY OR TRACKS FOR THE PROVISION OF PUBLIC PASSENGER RAIL SERVICE.

**SECTION 4.** In Colorado Revised Statutes, 39-22-104, **amend** (3)(t) and (3)(u); and **add** (3)(v) and (4)(ff) as follows:

**39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - report - tax preference performance statement - legislative declaration - definitions - repeal.**

(3) There shall be added to the federal taxable income:

(t) For income tax years commencing on or after January 1, 2025, an amount equal to the amount of employer contribution that an employee forfeits pursuant to section 39-22-558 (3)(c) and that the taxpayer had previously subtracted from the taxpayer's federal taxable income pursuant to subsection (4)(bb) of this section; ~~and~~

(u) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2026, the amount of any overtime compensation excluded or deducted from federal gross ~~income~~ INCOME; AND

(v) (I) (A) FOR INCOME TAX YEARS BEGINNING ON AND AFTER JANUARY 1, 2027, THE EXCESS OF ANY GAIN EXCLUDED FROM FEDERAL GROSS INCOME PURSUANT TO SECTION 1400Z-2 (a)(1)(A) OF THE INTERNAL REVENUE CODE OVER THE AMOUNT OF THAT GAIN INVESTED BY THE TAXPAYER IN A COLORADO QUALIFIED OPPORTUNITY FUND IN A MANNER THAT QUALIFIES FOR EXCLUSION FROM FEDERAL GROSS INCOME PURSUANT TO SECTION 1400Z-2 (a)(I)(A) OF THE INTERNAL REVENUE CODE.

(B) FOR AMOUNTS INVESTED IN A QUALIFIED OPPORTUNITY FUND AFTER DECEMBER 31, 2026, OTHER THAN A COLORADO QUALIFIED OPPORTUNITY FUND, THE AMOUNT OF GAIN EXCLUDED FROM FEDERAL GROSS INCOME AS A RESULT OF AN ELECTION MADE BY THE TAXPAYER PURSUANT TO SECTION 1400Z-2(c) OF THE INTERNAL REVENUE CODE.

(II) FOR PURPOSES OF THIS SUBSECTION (3)(v), "COLORADO QUALIFIED OPPORTUNITY FUND" MEANS A QUALIFIED OPPORTUNITY FUND THAT HOLDS AT LEAST NINETY PERCENT OF ITS ASSETS IN COLORADO QUALIFIED OPPORTUNITY ZONE PROPERTY. COLORADO QUALIFIED OPPORTUNITY ZONE PROPERTY IS:

(A) QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY SUBSTANTIALLY ALL OF THE USE OF WHICH, DURING SUBSTANTIALLY ALL OF THE FUND'S HOLDING PERIOD FOR THE PROPERTY, WAS IN A QUALIFIED OPPORTUNITY ZONE WITHIN COLORADO; OR

(B) QUALIFIED OPPORTUNITY ZONE STOCK, OR A QUALIFIED OPPORTUNITY ZONE PARTNERSHIP INTEREST, IN A QUALIFIED OPPORTUNITY ZONE BUSINESS IN WHICH SUBSTANTIALLY ALL OF THE TANGIBLE PROPERTY OWNED OR LEASED IS QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY AS DESCRIBED IN SECTION 1400Z-2 (d)(3)(A)(i) OF THE INTERNAL REVENUE CODE AND SUBSTANTIALLY ALL THE USE OF WHICH IS IN A QUALIFIED OPPORTUNITY ZONE WITHIN COLORADO.

(III) FOR PURPOSES OF SUBSECTION (3)(v)(II) OF THIS SECTION:

(A) PROPERTY HELD IN THE FUND SHALL BE MEASURED UNDER RULES SIMILAR TO THE RULES OF SECTION 1400Z-2 (d)(1) OF THE INTERNAL REVENUE CODE; AND

(B) THE TERMS USED HAVE THE SAME MEANING AS SET FORTH IN SECTION 1400Z-2 OF THE INTERNAL REVENUE CODE.

(4) There shall be subtracted from federal taxable income:

(ff) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE AMOUNT OF ANY GAIN INCLUDED IN FEDERAL GROSS INCOME PURSUANT TO SECTION 1400Z-2 (b) OF THE INTERNAL REVENUE CODE TO THE EXTENT THAT SUCH GAIN WAS ADDED TO FEDERAL TAXABLE INCOME PURSUANT TO SECTION 39-22-104 (3)(v) FOR A PRIOR TAX YEAR.

**SECTION 5.** In Colorado Revised Statutes, 39-22-303, **amend** (8)(a), (8)(b)(I), (11.5)(b)(I), and (11.5)(b)(II); and **add** (8)(c), (8.5), (12)(c.3), and (12)(c.5) as follows:

**39-22-303. Dividends in a combined report - foreign source income - affiliated groups - definitions - rules - repeal.**

(8) (a) Except as provided in subsection (8)(b) of this section, FOR TAX YEARS BEGINNING BEFORE JANUARY 1, 2027, neither the taxpayer nor the executive director shall include in a combined report any C corporation that conducts business outside the United States if eighty percent or more of the C corporation's property and payroll, as determined by factoring pursuant to section 24-60-1301, is assigned to locations outside the United States. For the purpose of this subsection (8), "United States" is restricted to the fifty states and the District of Columbia.

(b)(I) For tax years beginning on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, a taxpayer shall include in the combined group any member of an affiliated group of C corporations that is incorporated in a foreign jurisdiction for the purpose of tax avoidance.

(c) THIS SUBSECTION (8) IS REPEALED, EFFECTIVE DECEMBER 31, 2031.

(8.5)(a) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, THE MEMBERS OF AN AFFILIATED GROUP OF C CORPORATIONS REQUIRED TO FILE A COMBINED REPORT PURSUANT TO SUBSECTION (11.5)(b)(I) OF THIS SECTION MAY MAKE A WATER'S-EDGE ELECTION AS SET FORTH IN SUBSECTION (8.5)(c) OF THIS SECTION. PURSUANT TO A WATER'S-EDGE ELECTION, THE COMBINED GROUP SHALL TAKE INTO ACCOUNT THE NET INCOME AND APPORTIONMENT FACTORS OF THE

MEMBERS OF THE AFFILIATED GROUP PURSUANT TO SUBSECTION (11.5) OF THIS SECTION TO THE EXTENT SET FORTH IN SUBSECTION (8.5)(b) OF THIS SECTION.

(b) (I) THE COMBINED GROUP SHALL TAKE INTO ACCOUNT THE ENTIRE NET INCOME AND APPORTIONMENT FACTORS OF:

(A) EVERY MEMBER OF THE AFFILIATED GROUP THAT IS INCORPORATED IN THE UNITED STATES OR FORMED UNDER THE LAWS OF ANY STATE, THE DISTRICT OF COLUMBIA, OR ANY TERRITORY OR POSSESSION OF THE UNITED STATES;

(B) EVERY MEMBER OF THE AFFILIATED GROUP, REGARDLESS OF THE PLACE WHERE THE MEMBER WAS INCORPORATED OR FORMED, IF TWENTY PERCENT OR MORE OF THE MEMBER'S PROPERTY AND PAYROLL, AS DETERMINED BY FACTORING PURSUANT TO SECTION 24-60-1301, IS ASSIGNED TO LOCATIONS WITHIN THE UNITED STATES. FOR THE PURPOSE OF THIS SUBSECTION (8.5)(b)(I)(B), "UNITED STATES" IS RESTRICTED TO THE FIFTY STATES AND THE DISTRICT OF COLUMBIA.

(C) EVERY MEMBER OF THE AFFILIATED GROUP THAT IS A DOMESTIC INTERNATIONAL SALES CORPORATION AS DESCRIBED IN SECTIONS 991 TO 994 OF THE INTERNAL REVENUE CODE OR AN EXPORT TRADE CORPORATION AS DESCRIBED IN SECTIONS 970 AND 971 OF THE INTERNAL REVENUE CODE; AND

(D) EVERY MEMBER OF THE AFFILIATED GROUP THAT IS INCORPORATED IN A FOREIGN JURISDICTION FOR THE PURPOSE OF TAX AVOIDANCE.

(II) TO THE EXTENT SUCH AMOUNTS ARE NOT ALREADY TAKEN INTO ACCOUNT PURSUANT TO SUBSECTION (8.5)(b)(I) OF THIS SECTION, THE COMBINED GROUP SHALL ALSO TAKE INTO ACCOUNT:

(A) THE APPORTIONABLE INCOME OF A MEMBER OF THE AFFILIATED GROUP THAT IS EFFECTIVELY CONNECTED OR TREATED AS EFFECTIVELY CONNECTED PURSUANT TO THE INTERNAL REVENUE CODE WITH THE CONDUCT OF A TRADE OR BUSINESS WITHIN THE UNITED STATES AND, FOR THAT REASON, SUBJECT TO FEDERAL INCOME TAX AND THE RELATED APPORTIONMENT FACTORS; AND

(B) IN THE CASE OF A MEMBER OF THE AFFILIATED GROUP THAT IS A RESIDENT OF A COUNTRY THAT DOES NOT HAVE A COMPREHENSIVE INCOME TAX TREATY WITH THE UNITED STATES AND EARNS MORE THAN TWENTY PERCENT OF ITS NET INCOME, DIRECTLY OR INDIRECTLY, FROM INTANGIBLE PROPERTY OR SERVICE-RELATED ACTIVITIES THAT ARE DEDUCTIBLE FROM THE APPORTIONABLE INCOME OF ONE OR MORE MEMBERS OF THE COMBINED GROUP, THE RELATED NET INCOME AND THE APPORTIONMENT FACTORS.

(III) FOR PURPOSES OF THIS SUBSECTION (8.5)(b), A MEMBER OF THE AFFILIATED GROUP IS PRESUMPTIVELY INCORPORATED IN A FOREIGN JURISDICTION FOR THE PURPOSE OF TAX AVOIDANCE IF THE MEMBER IS INCORPORATED IN A LISTED JURISDICTION. A MEMBER IS NOT INCORPORATED IN A FOREIGN JURISDICTION FOR THE PURPOSE OF TAX AVOIDANCE IF THE COMBINED GROUP PROVES TO THE SATISFACTION OF THE EXECUTIVE DIRECTOR, OR IF THE EXECUTIVE DIRECTOR DETERMINES, THAT THE MEMBER IS INCORPORATED IN A LISTED JURISDICTION FOR

REASONS THAT MEET THE ECONOMIC SUBSTANCE DOCTRINE DESCRIBED IN SECTION 7701 (o) OF THE INTERNAL REVENUE CODE.

(c) (I) THE COMBINED GROUP MUST MAKE A WATER'S-EDGE ELECTION ON A TIMELY FILED, ORIGINAL RETURN FOR AN INCOME TAX YEAR.

(II) (A) EXCEPT AS PROVIDED IN SUBSECTION (8.5)(c)(II)(C) OF THIS SECTION, A COMBINED GROUP'S WATER'S-EDGE ELECTION IS BINDING FOR AND APPLICABLE TO THE INCOME TAX YEAR WHEN THE COMBINED GROUP MAKES THE ELECTION AND EACH OF THE NINE INCOME TAX YEARS THEREAFTER.

(B) UPON THE EXPIRATION OF THE PERIOD DESCRIBED IN SUBSECTION (8.5)(c)(II)(A) OF THIS SECTION, A COMBINED GROUP MAY WITHDRAW THE WATER'S-EDGE ELECTION. THE COMBINED GROUP MUST WITHDRAW THE ELECTION ON A TIMELY FILED, ORIGINAL TAX RETURN FOR THE FIRST INCOME TAX YEAR AFTER THE PERIOD DESCRIBED IN SUBSECTION (8.5)(c)(II)(A) OF THIS SECTION, OR BY OTHER WRITTEN WITHDRAWAL MADE IN THE TIME AND MANNER PRESCRIBED BY RULES PROMULGATED BY THE EXECUTIVE DIRECTOR. EXCEPT AS PROVIDED IN SUBSECTION (8.5)(c)(II)(C) OF THIS SECTION, A COMBINED GROUP'S WITHDRAWAL OF AN ELECTION IS BINDING FOR AND APPLICABLE TO THE INCOME TAX YEAR WHEN THE COMBINED GROUP WITHDRAWS THE ELECTION AND EACH OF THE NINE INCOME TAX YEARS THEREAFTER. IF THE COMBINED GROUP DOES NOT WITHDRAW THE ELECTION AS DESCRIBED IN THIS SUBSECTION (8.5)(c)(II)(B), THE ELECTION IS DEEMED RENEWED FOR AN ADDITIONAL TEN-YEAR PERIOD, SUBJECT TO THE SAME CONDITIONS AS APPLIED TO THE ORIGINAL ELECTION.

(C) A COMBINED GROUP MAY PETITION THE EXECUTIVE DIRECTOR TO WITHDRAW A WATER'S-EDGE ELECTION PRIOR TO THE EXPIRATION OF THE PERIOD SET FORTH IN SUBSECTION (8.5)(c)(II)(A) OF THIS SECTION, OR TO REINSTATE A WITHDRAWN ELECTION, UPON A SHOWING OF REASONABLE CAUSE BASED UPON EXTRAORDINARY HARDSHIP DUE TO UNFORESEEN CHANGES IN STATE TAX STATUTES, LAW, OR POLICY. IF THE EXECUTIVE DIRECTOR GRANTS A WITHDRAWAL OF AN ELECTION, THE EXECUTIVE DIRECTOR MAY IMPOSE REASONABLE CONDITIONS AS NECESSARY TO PREVENT THE EVASION OF TAX OR TO CLEARLY REFLECT NET INCOME FOR THE ELECTION PERIOD PRIOR TO OR AFTER THE WITHDRAWAL.

(III) THE EXECUTIVE DIRECTOR MAY PROMULGATE RULES GOVERNING THE EFFECT, IF ANY, ON THE SCOPE OR APPLICATION OF A WATER'S-EDGE ELECTION, INCLUDING THE PROCEDURES FOR ELECTION AND TERMINATION OR DEEMED ELECTION, RESULTING FROM A CHANGE IN THE COMPOSITION OF THE UNITARY GROUP, THE COMBINED GROUP, THE MEMBERS, AND ANY OTHER SIMILAR CHANGE.

(d) THE EXECUTIVE DIRECTOR MAY DISREGARD A WATER'S-EDGE ELECTION IN PART OR IN WHOLE, AND THE NET INCOME AND APPORTIONMENT FACTORS OF ANY MEMBER OF THE UNITARY GROUP MAY BE INCLUDED IN THE COMBINED REPORT, WITHOUT REGARD TO SUBSECTIONS (8.5)(a) TO (8.5)(c) OF THIS SECTION, IF:

(I) ANY MEMBER OF THE UNITARY GROUP KNOWINGLY FAILS TO COMPLY WITH OR RECKLESSLY DISREGARDS ANY PROVISION OF THIS ARTICLE 22 OR ANY PROVISION OF ARTICLE 21 OF THIS TITLE 39; OR

(II) A PERSON OTHERWISE NOT INCLUDED IN THE WATER'S-EDGE COMBINED GROUP IS USED FOR A SUBSTANTIAL STATE INCOME TAX AVOIDANCE PURPOSE.

(e) A COMBINED GROUP'S WATER'S-EDGE ELECTION PURSUANT TO THIS SUBSECTION (8.5) HAS NO EFFECT ON WHETHER A PERSON EXCLUDED FROM THE WATER'S-EDGE COMBINED GROUP MAY BE SEPARATELY LIABLE FOR THE TAX IMPOSED BY THIS ARTICLE 22. A PERSON EXCLUDED FROM A WATER'S-EDGE COMBINED GROUP AND SUBJECT TO THE TAX IMPOSED BY THIS ARTICLE 22 SHALL SEPARATELY FILE AND PAY SUCH TAX AS PROVIDED IN THIS ARTICLE 22.

(11.5) (b) For tax years beginning on and after January 1, 2026:

(I) Except as provided in ~~subsection~~ SUBSECTION (8) OR (8.5) of this section, all of the members of an affiliated group of C corporations, wherever incorporated or domiciled, that are members of a unitary business shall file a combined report as a combined group.

(II) (A) The net income of each member of the combined group, as determined under section 39-22-304, is combined, eliminating items of income, expense, gain, and loss from transactions between members of the combined group, applying the consolidated filing rules under the internal revenue code, and the regulations thereunder, as if the combined group was a consolidated filing group. ~~Dividends are eliminated to the extent permitted under subsection (9) of this section.~~

(B) A COMBINED GROUP SHALL ELIMINATE DIVIDENDS FROM A COMBINED REPORT TO THE EXTENT PERMITTED UNDER SUBSECTION (9) OF THIS SECTION.

(C) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, TO THE EXTENT THE NET INCOME OF A MEMBER OF A COMBINED GROUP INCLUDES SUBPART F INCOME OR NET CFC TESTED INCOME WITH RESPECT TO ANOTHER MEMBER OF THE COMBINED GROUP OF WHICH THE MEMBER IS A UNITED STATES SHAREHOLDER, THE COMBINED GROUP SHALL ELIMINATE SUCH SUBPART F OR NET CFC TESTED INCOME FROM A COMBINED REPORT.

(12) As used in this section, unless the context otherwise requires:

(c.3) "NET CFC TESTED INCOME" MEANS INCOME INCLUDED AS FEDERAL GROSS INCOME PURSUANT TO SECTION 951A (a) OF THE INTERNAL REVENUE CODE.

(c.5) "SUBPART F INCOME" MEANS INCOME INCLUDED AS FEDERAL GROSS INCOME PURSUANT TO SECTION 951 (a) OF THE INTERNAL REVENUE CODE.

**SECTION 6.** In Colorado Revised Statutes, 39-22-304, **amend** (1)(b)(I), (3)(i), and (3)(q); and **add** (2)(l) and (3)(u) as follows:

**39-22-304. Net income of corporation - legislative declaration - definitions - repeal.**

(1) (b) (I) (A) For income tax years commencing on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, in the case of a C corporation that is not incorporated in the United States, or included in a consolidated federal corporate income tax return,

"federal taxable income" means the C corporation's income or loss as determined from a profit and loss statement prepared for that C corporation on a separate entity basis in the currency in which its books of account are regularly maintained, provided this profit and loss statement is subject to an independent audit, adjusted to conform to the accounting principles generally accepted in the United States for the preparation of such statements and further modified to take into account any book-tax adjustments necessary to reflect federal and state tax law. Income or loss so computed includes all income wherever derived and is not limited to items of income from sources within the United States or effectively connected income within the meaning of the internal revenue code. Items of income, expense, gain or loss, and related apportionment factors that are denominated in a foreign currency must also be translated into United States dollars on a reasonable basis consistently applied year-to-year and entity-by-entity. Unrealized foreign currency gains and losses are not recognized. Income apportioned to this state is to be expressed in United States dollars.

(B) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, IN THE CASE OF A C CORPORATION THAT IS INCLUDED IN A COMBINED GROUP PURSUANT TO SECTION 39-22-303, AND THAT IS NOT INCORPORATED IN THE UNITED STATES, OR INCLUDED IN A CONSOLIDATED FEDERAL CORPORATE INCOME TAX RETURN, "FEDERAL TAXABLE INCOME" MEANS THE C CORPORATION'S INCOME OR LOSS AS DETERMINED FROM A PROFIT AND LOSS STATEMENT PREPARED FOR THAT C CORPORATION ON A SEPARATE ENTITY BASIS IN THE CURRENCY IN WHICH ITS BOOKS OF ACCOUNT ARE REGULARLY MAINTAINED, PROVIDED THIS PROFIT AND LOSS STATEMENT IS SUBJECT TO AN INDEPENDENT AUDIT, ADJUSTED TO CONFORM TO THE ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES FOR THE PREPARATION OF SUCH STATEMENTS, AND FURTHER MODIFIED TO TAKE INTO ACCOUNT ANY BOOK-TAX ADJUSTMENTS NECESSARY TO REFLECT FEDERAL AND STATE TAX LAW. INCOME OR LOSS SO COMPUTED INCLUDES ALL INCOME WHEREVER DERIVED AND IS NOT LIMITED TO ITEMS OF INCOME FROM SOURCES WITHIN THE UNITED STATES OR EFFECTIVELY CONNECTED INCOME WITHIN THE MEANING OF THE INTERNAL REVENUE CODE. ITEMS OF INCOME, EXPENSE, GAIN OR LOSS, AND RELATED APPORTIONMENT FACTORS THAT ARE DENOMINATED IN A FOREIGN CURRENCY MUST ALSO BE TRANSLATED INTO UNITED STATES DOLLARS ON A REASONABLE BASIS CONSISTENTLY APPLIED YEAR-TO-YEAR AND ENTITY-BY-ENTITY. UNREALIZED FOREIGN CURRENCY GAINS AND LOSSES ARE NOT RECOGNIZED. INCOME APPORTIONED TO THE STATE IS TO BE EXPRESSED IN UNITED STATES DOLLARS.

(C) SUBSECTION (1)(b)(I)(A) OF THIS SECTION AND THIS SUBSECTION (1)(b)(I)(C) ARE REPEALED, EFFECTIVE DECEMBER 31, 2031.

(2) There shall be added to federal taxable income:

(I) (I) (A) FOR INCOME TAX YEARS BEGINNING ON AND AFTER JANUARY 1, 2027, THE EXCESS OF ANY GAIN EXCLUDED FROM FEDERAL GROSS INCOME PURSUANT TO SECTION 1400Z-2 (a)(I)(A) OF THE INTERNAL REVENUE CODE OVER THE AMOUNT OF THAT GAIN INVESTED BY THE TAXPAYER IN A COLORADO QUALIFIED OPPORTUNITY FUND IN A MANNER THAT QUALIFIES FOR EXCLUSION FROM FEDERAL GROSS INCOME PURSUANT TO SECTION 1400Z-2 (a)(I)(A) OF THE INTERNAL REVENUE CODE.

(B) FOR AMOUNTS INVESTED IN A QUALIFIED OPPORTUNITY FUND AFTER DECEMBER 31, 2026, OTHER THAN A COLORADO QUALIFIED OPPORTUNITY FUND, THE AMOUNT OF GAIN EXCLUDED FROM FEDERAL GROSS INCOME AS A RESULT OF AN ELECTION MADE BY THE TAXPAYER PURSUANT TO SECTION 1400Z-2(c) OF THE INTERNAL REVENUE CODE.

(II) FOR PURPOSES OF THIS SUBSECTION (2)(I), "COLORADO QUALIFIED OPPORTUNITY FUND" MEANS A QUALIFIED OPPORTUNITY FUND THAT HOLDS AT LEAST NINETY PERCENT OF ITS ASSETS IN COLORADO QUALIFIED OPPORTUNITY ZONE PROPERTY. COLORADO QUALIFIED OPPORTUNITY ZONE PROPERTY IS:

(A) QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY, SUBSTANTIALLY ALL OF THE USE OF WHICH, DURING SUBSTANTIALLY ALL OF THE FUND'S HOLDING PERIOD FOR THE PROPERTY, WAS IN A QUALIFIED OPPORTUNITY ZONE WITHIN COLORADO; OR

(B) QUALIFIED OPPORTUNITY ZONE STOCK OR A QUALIFIED OPPORTUNITY ZONE PARTNERSHIP INTEREST IN A QUALIFIED OPPORTUNITY ZONE BUSINESS, IN WHICH SUBSTANTIALLY ALL OF THE TANGIBLE PROPERTY OWNED OR LEASED IS QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY AS DESCRIBED IN SECTION 1400Z-2 (d)(3)(A)(i) OF THE INTERNAL REVENUE CODE AND SUBSTANTIALLY ALL OF THE USE OF WHICH IS IN A QUALIFIED OPPORTUNITY ZONE WITHIN COLORADO.

(III) FOR PURPOSES OF SUBSECTION (2)(I)(II) OF THIS SECTION:

(A) PROPERTY HELD IN THE FUND SHALL BE MEASURED UNDER RULES SIMILAR TO THE RULES OF SECTION 1400Z-2 (d)(I) OF THE INTERNAL REVENUE CODE; AND

(B) THE TERMS USED HAVE THE SAME MEANING AS SET FORTH IN SECTION 1400Z-2 OF THE INTERNAL REVENUE CODE.

(3) There shall be subtracted from federal taxable income:

(i) (I) FOR INCOME TAX YEARS BEGINNING BEFORE JANUARY 1, 2027, that portion of wages or salaries paid or incurred for the taxable year, the deduction for which is disallowed by section 280C of the internal revenue code.

(II) THIS SUBSECTION (3)(i) IS REPEALED, EFFECTIVE DECEMBER 31, 2031.

(q) (I) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2027:

(⊕) (A) Any amount included in federal taxable income pursuant to section 951 (a) of the internal revenue code with respect to a controlled foreign corporation that is a C corporation incorporated in a foreign jurisdiction for the purpose of tax avoidance pursuant to section 39-22-303 (8)(b)(II); and

(⊕) (B) The amount of any income included in federal taxable income pursuant to section 951A (a) of the internal revenue code with respect to a controlled foreign corporation that is a C corporation incorporated in a foreign jurisdiction for the purpose of tax avoidance pursuant to section 39-22-303 (8)(b)(II), less any amount

deducted under section 250 (a)(1)(B) of the internal revenue code with respect to such income.

(II) THIS SUBSECTION (3)(q) IS REPEALED, EFFECTIVE DECEMBER 31, 2031.

(u) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE AMOUNT OF GAIN INCLUDED IN FEDERAL GROSS INCOME PURSUANT TO SECTION 1400Z-2 (b) OF THE INTERNAL REVENUE CODE TO THE EXTENT THAT SUCH GAIN WAS ADDED TO FEDERAL TAXABLE INCOME PURSUANT TO SECTION 39-22-304 (2)(I) FOR A PRIOR TAX YEAR.

**SECTION 7.** In Colorado Revised Statutes, 39-22-516.7, **amend** (4)(a)(IX), (4)(a)(X), (4)(a.3), (4)(a.5), and (4)(a.7) as follows:

**39-22-516.7. Tax credit for innovative motor vehicles - tax preference performance statement - legislative declaration - definitions - repeal.**

(4) The amount of the credit allowed pursuant to this section is calculated as follows:

(a) **Category 1.**

(IX) Except as otherwise provided in subsection (4)(a.7) of this section, with respect to the purchase or lease of a category 1 vehicle sold or leased in tax years commencing on or after January 1, 2027, but before January 1, 2028, ~~one~~ TWO thousand dollars;

(X) Except as otherwise provided in subsection (4)(a.7) of this section, with respect to the purchase or lease of a category 1 vehicle sold or leased in tax years commencing on or after January 1, 2028, but before January 1, 2029, ~~five hundred~~ ONE THOUSAND dollars; and

(a.3) **Limitation on credit.**

(I) No credit is allowed for a purchase or lease made on or after July 1, 2023, but before ~~January 1, 2029~~ JANUARY 1, 2027, of a Category 1 vehicle that exceeds a manufacturer's suggested retail price of eighty-thousand dollars.

(II) NO CREDIT IS ALLOWED FOR A PURCHASE OR LEASE MADE ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2029, OF A CATEGORY 1 VEHICLE THAT EXCEEDS A MANUFACTURER'S SUGGESTED RETAIL PRICE OF FIFTY THOUSAND DOLLARS.

(a.5) (I) **Category 1 for vehicles under \$35,000 threshold.** With respect to the purchase or lease of a category 1 vehicle sold or leased in tax years commencing on or after January 1, 2024, but prior to ~~January 1, 2029~~ JANUARY 1, 2027, with a manufacturer's suggested retail price below thirty-five thousand dollars there is allowed an additional two thousand five hundred dollars of credit in addition to the amount of credit allowed pursuant to subsection (4)(a) of this section.

(II) **CATEGORY 1 FOR VEHICLES UNDER \$40,000 THRESHOLD.** WITH RESPECT TO THE PURCHASE OR LEASE OF A CATEGORY 1 VEHICLE SOLD OR LEASED IN TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, BUT PRIOR TO JANUARY 1, 2029, WITH A MANUFACTURER'S SUGGESTED RETAIL PRICE BELOW FORTY THOUSAND DOLLARS THERE IS ALLOWED AN ADDITIONAL TWO THOUSAND FIVE HUNDRED DOLLARS OF CREDIT IN ADDITION TO THE AMOUNT OF CREDIT ALLOWED PURSUANT TO SUBSECTION (4)(a) OF THIS SECTION.

(a.7) (I) If the June 2025 revenue forecast, ~~and each June revenue forecast through the June 2027 revenue forecast~~ as prepared by either legislative council staff or the office of state planning and budgeting, projects that state revenues, as defined in section 24-77-103.6 (6)(c), will not increase by at least four percent for the next fiscal year, the amount of the credit allowed pursuant to subsection (4)(a)(VIII), (4)(a)(IX), or (4)(a)(X) of this section for ~~any~~ THE INCOME tax year commencing in the calendar year that begins during said next fiscal year is reduced by fifty percent; except that if the amount of reduced credit is equal to or less than five hundred dollars, then no credit is available for ~~such a~~ THAT INCOME tax year.

(II) THIS SUBSECTION (4)(a.7) IS REPEALED, EFFECTIVE DECEMBER 31, 2031.

**SECTION 8.** In Colorado Revised Statutes, 39-22-516.8, **amend** (8.7)(d) as follows:

**39-22-516.8. Tax credit for innovative trucks - tax preference performance statement - legislative declaration - definitions - repeal.**

(8.7) (d) If the June 2025 revenue forecast, ~~and each June revenue forecast through the June 2027 revenue forecast~~ as prepared by either legislative council staff or the office of state planning and budgeting, projects that state revenues, as defined in section 24-77-103.6 (6)(c), will not increase by at least four percent for the next fiscal year, the amount of the credit allowed pursuant to subsection (8.7)(a)(III), (8.7)(a)(IV), or (8.7)(a)(V) of this section for ~~any~~ THE INCOME tax year commencing in the calendar year that begins during said next fiscal year is reduced by fifty percent; except that if the amount of reduced credit is equal to or less than five hundred dollars, then no credit is available for ~~such a~~ THE INCOME tax year.

**SECTION 9.** In Colorado Revised Statutes, 39-22-543, **amend** (2)(c), (2)(d), (3)(a), (4)(b), (5), and (6); and **add** (2)(a.5) and (4)(c) as follows:

**39-22-543. Credit for wildfire hazard mitigation expenses - legislative declaration - definitions - repeal.**

(2) As used in this section, unless the context otherwise requires:

(a.5) "INFESTATION MITIGATION MEASURES" MEANS THE THINNING OF WOODY VEGETATION THAT IS AT RISK OF MOUNTAIN PINE BEETLE OR SPRUCE BEETLE INFESTATION OR THAT HAS BEEN KILLED BY MOUNTAIN PINE BEETLES OR SPRUCE BEETLES, IF SUCH ACTIVITIES MEET OR EXCEED ANY COLORADO STATE FOREST SERVICE STANDARDS OR ANY OTHER APPLICABLE STATE RULES.

(c) "Landowner" means any INDIVIDUAL owner of record of private land located within the state, including any easement, right-of-way, or estate in the land, and includes the heirs, successors, and assigns of such land. "Landowner" shall not include any partnership, S corporation, or other similar entity that owns private land as an entity. ~~unless there is a dwelling on that land that is designed for residential occupancy~~

(d) "Wildfire mitigation measures" means the creation of a defensible space around structures; the establishment of fuel breaks; the thinning of woody vegetation for the primary purpose of reducing risk to structures from wildland fire; or the secondary treatment of woody fuels by lopping and scattering, piling, chipping, removing from the site, or prescribed burning; so long as such activities meet or exceed any Colorado state forest service standards or any other applicable state rules.

~~(3) (a) In the case of two taxpayers filing a joint return, the amount of the credit shall not exceed six hundred twenty-five dollars in any taxable year. THE AMOUNT OF THE CREDIT ALLOWED BY THIS SECTION IS THE SAME WHETHER IT IS CLAIMED BY A SINGLE TAXPAYER OR TWO TAXPAYERS WHO FILE A JOINT RETURN. In the case of two taxpayers who may legally file a joint return but actually file separate returns, only one of the taxpayers may claim the credit specified in this section.~~

(4) (b) For income tax years commencing on or after January 1, 2025, but prior to ~~January 1, 2028~~ JANUARY 1, 2027, a landowner with a federal taxable income at or below one hundred twenty thousand dollars for the income tax year commencing on or after January 1, 2023, as adjusted for inflation and rounded to the nearest hundred dollars for each income tax year thereafter, is allowed a credit against the income taxes imposed by this article 22 in an amount equal to the landowner's costs incurred for wildfire mitigation measures in an amount up to one thousand dollars. The maximum total credit in a taxable year FOR A LANDOWNER is one thousand dollars.

(c) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2031, A LANDOWNER WITH AN ADJUSTED GROSS INCOME AT OR BELOW THREE HUNDRED THOUSAND DOLLARS FOR THE INCOME TAX YEAR BEGINNING ON OR AFTER JANUARY 1, 2027, AS ADJUSTED FOR INFLATION AND ROUNDED TO THE NEAREST HUNDRED DOLLARS FOR EACH INCOME TAX YEAR THEREAFTER, IS ALLOWED A CREDIT AGAINST THE INCOME TAXES IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT EQUAL TO THE LANDOWNER'S COSTS INCURRED FOR WILDFIRE MITIGATION MEASURES, INFESTATION MITIGATION MEASURES, OR BOTH IN AN AMOUNT UP TO TWO THOUSAND DOLLARS. THE MAXIMUM TOTAL CREDIT IN A TAXABLE YEAR FOR A LANDOWNER IS TWO THOUSAND DOLLARS.

(5) (a) If the amount of a credit under this section exceeds a taxpayer's actual tax liability for an income tax year BEGINNING BEFORE JANUARY 1, 2027, the amount of the credit not used to offset the taxpayer's income tax liability is not refunded to the taxpayer and shall not be carried forward as a tax credit against the taxpayer's income tax liability in any subsequent tax year.

(b) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, IF THE AMOUNT OF A CREDIT ALLOWED BY THIS SECTION EXCEEDS THE TAXPAYER'S INCOME

TAXES DUE, THE EXCESS MAY NOT BE CARRIED FORWARD AND IS REFUNDED TO THE TAXPAYER.

(6) This section is repealed, effective ~~January 1, 2030~~ JANUARY 1, 2040.

**SECTION 10.** In Colorado Revised Statutes, 39-22-549, **amend** (2)(e), (2)(f), (2)(h), (3)(a)(I)(B), (3)(a)(II)(B), (4)(a) introductory portion, (5)(a)(I)(A), (5)(b), (5)(c), and (6); and **add** (2)(e.5) and (3)(a)(III) as follows:

**39-22-549. Credit against tax - small food business recovery and resilience grant program equipment - community food consortium duties and responsibilities - tax preference performance statement - legislative declaration - definitions - repeal.**

(2) As used in this section, unless the context otherwise requires:

(e) "Purchaser" means:

(I) FOR INCOME TAX YEARS COMMENCING BEFORE JANUARY 1, 2027, a small food retailer or small family farm that purchases small food business recovery and resilience grant program equipment.

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A QUALIFIED DISTRIBUTOR, SMALL FOOD RETAILER, OR SMALL FAMILY FARM THAT PURCHASES SMALL FOOD BUSINESS RECOVERY AND RESILIENCE GRANT PROGRAM EQUIPMENT.

(e.5) "QUALIFIED DISTRIBUTOR" MEANS A COLORADO-OWNED AND OPERATED BUSINESS OR NONPROFIT ORGANIZATION THAT:

(I) IS SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22 OR THAT IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1);

(II) ACTIVELY MANAGES THE AGGREGATION, DISTRIBUTION, AND MARKETING OF SOURCE-IDENTIFIED RAW COLORADO AGRICULTURAL PRODUCTS;

(III) PRIORITIZES THE AGGREGATION, DISTRIBUTION, AND MARKETING OF SOURCE-IDENTIFIED RAW COLORADO AGRICULTURAL PRODUCTS FROM COLORADO PRODUCERS TO SATISFY WHOLESALE, RETAIL, AND INSTITUTIONAL DEMAND; AND

(IV) HAS MANAGED THE AGGREGATION, DISTRIBUTION, AND MARKETING OF SOURCE-IDENTIFIED RAW COLORADO AGRICULTURAL PRODUCTS TO A MEMBER OF THE CONSORTIUM IN THE INCOME TAX YEAR FOR WHICH THE BUSINESS OR ORGANIZATION IS CLAIMING A TAX CREDIT PURSUANT TO THIS SECTION.

(f) "Small family farm" has the same meaning as set forth in section 35-1-117 (8)(d) FOR INCOME TAX YEARS COMMENCING BEFORE JANUARY 1, 2027. FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, "SMALL FAMILY FARM" MEANS A FARM THAT IS COLORADO-OWNED AND COLORADO-OPERATED, FILES A SCHEDULE F WITH THE INTERNAL REVENUE SERVICE, AND ACTS AS A WHOLESALER OR VENDOR TO A CHARITABLE FOOD PROGRAM, SMALL FOOD RETAILER, SCHOOL,

CHILD CARE CENTER, OR OLDER ADULT FACILITY THAT IS LOCATED IN OR PROVIDES FOOD TO A LOCAL, STATE, OR FEDERALLY DEFINED "LOW INCOME, LOW ACCESS NEIGHBORHOOD".

(h) "Small food retailers" has the same meaning as set forth in section 35-1-117 (8)(e) FOR INCOME TAX YEARS COMMENCING BEFORE JANUARY 1, 2027. FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, "SMALL FOOD RETAILERS" MEANS:

(I) AN INDEPENDENT, COLORADO-OWNED, AND COLORADO-OPERATED SMALL FOOD RETAIL BUSINESS, DEFINED AS A FOOD RETAILER THAT:

(A) IS SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22 OR IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1);

(B) HAS FIVE OR FEWER SEPARATE COLORADO RETAIL LOCATIONS WITH LESS THAN TWENTY-TWO THOUSAND SQUARE FEET OF RETAIL SPACE PER LOCATION;

(C) CARRIES AT LEAST THREE CATEGORIES OF FEDERALLY DEFINED STAPLE FOODS, AS DESCRIBED IN THE FEDERAL "FOOD AND NUTRITION ACT OF 2008", SECS. 3 AND 9; THE FEDERAL "CONSOLIDATED APPROPRIATIONS ACT OF 2017", SEC. 76; AND THE FEDERAL "ENHANCING RETAILER STANDARDS IN THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM", 81 FED. REG. 90675; AND

(D) IS LOCATED IN OR PROVIDES FOOD TO LOCAL, STATE, OR FEDERALLY DEFINED LOW-INCOME, LOW-ACCESS NEIGHBORHOODS; OR

(II) IS A FARMER'S MARKET OR FARM-DIRECT OPERATION THAT IS ALREADY OR DEMONSTRATES AN INTENT TO BECOME SNAP AND WIC AUTHORIZED WHERE ALLOWED.

(3) (a) Subject to the provisions of subsection (4) of this section:

(I) (B) For income tax years commencing on or after January 1, 2025, but before January 1, 2031, any member of the food consortium is allowed a credit against the tax imposed by this article 22 in an amount equal to seventy-five percent of the amount certain spent by the member of the consortium on completing its duties and responsibilities minus any amount awarded to the member of the consortium pursuant to section 35-1-117 (2) for the completion of its duties and responsibilities; **and**

(II) (B) For income tax years commencing on or after January 1, 2025, but before January 1, 2031, any purchaser of small food business recovery and resilience grant program equipment is allowed a credit against the tax imposed by this article 22 in an amount equal to seventy-five percent of the purchase price of the relevant small food business recovery and resilience grant program equipment minus the amount of any grant awarded under the small food business recovery and resilience grant program for the purchase of the same small food business recovery and resilience grant program equipment; **AND**

(III) NOTWITHSTANDING SUBSECTION (3)(a)(I) AND (3)(a)(II) OF THIS SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A TAXPAYER IS ONLY ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 PURSUANT TO THIS SECTION IF THE CREDIT WOULD BE IN AN AMOUNT EQUAL TO OR GREATER THAN THREE HUNDRED SEVENTY-FIVE DOLLARS.

(4) (a) FOR INCOME TAX YEARS COMMENCING PRIOR TO JANUARY 1, 2027, a member of the consortium or a purchaser of small food business recovery grant program equipment may submit an application to the department of agriculture for the issuance of a letter of eligibility for a tax credit certificate allowed in this section by the deadlines established in the rules promulgated by the department of agriculture. The application must include:

(5) (a) A member of the consortium or a purchaser of small food business recovery grant program equipment shall submit an application to the department of agriculture for the issuance of a tax credit certificate allowed in this section by the deadlines established in the rules promulgated by the department of agriculture. The application must include:

(I) A certification that the applicant is either:

(A) A purchaser who is a QUALIFIED DISTRIBUTOR, small food retailer, or small family farm that purchased small food business recovery and resilience grant program equipment; or

(b) If the department of agriculture determines that the application filed pursuant to subsection (5)(a) of this section is complete, the department of agriculture shall determine whether the applicant qualifies for the credit allowed pursuant to this section. If the department of agriculture approves the application, the department of agriculture shall issue a tax credit certificate to the applicant that indicates the amount of the tax credit that the purchaser or member of the consortium may claim for the specified income tax year; except that:

(I) The total amount of tax credit certificates issued by the department of agriculture in a given ~~income tax~~ CALENDAR year must not exceed a total of ten million dollars FOR CALENDAR YEARS COMMENCING BEFORE JANUARY 1, 2027, A TOTAL OF FIVE MILLION DOLLARS FOR THE CALENDAR YEAR COMMENCING ON JANUARY 1, 2027, AND, FOR CALENDAR YEARS COMMENCING ON OR AFTER JANUARY 1, 2028, A TOTAL OF FIVE MILLION DOLLARS.

(II) FOR AN INCOME TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2027, THE MAXIMUM ALLOWABLE CREDIT AMOUNT FOR A SMALL FAMILY FARM THAT CLAIMS A CREDIT PURSUANT TO THIS SECTION IS THREE HUNDRED THOUSAND DOLLARS AND IS ONE MILLION DOLLARS FOR ANY OTHER TAXPAYER THAT CLAIMS A CREDIT PURSUANT TO THIS SECTION.

(c) (I) FOR INCOME TAX YEARS COMMENCING BEFORE JANUARY 1, 2027, the department of agriculture shall issue tax credit certificates allowed in this section in an order that accords with the rules promulgated by the department of agriculture. The department of agriculture shall review and approve or disapprove an application

filed pursuant to subsection (5)(a) of this section within a reasonable time, not to exceed ninety days after the filing of a completed application.

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE DEPARTMENT OF AGRICULTURE SHALL REVIEW AND APPROVE OR DISAPPROVE AN APPLICATION FILED PURSUANT TO SUBSECTION (5)(a) OF THIS SECTION WITHIN A REASONABLE TIME, NOT TO EXCEED ONE HUNDRED FIFTY DAYS AFTER THE FILING OF A COMPLETED APPLICATION.

(6) To claim the income tax credit allowed pursuant to this section, the purchaser or member of the consortium shall attach a copy of the tax credit certificate to its state income tax return. No tax credit is allowed pursuant to this section unless the purchaser or member of the consortium provides a copy of the tax credit certificate with its filed state income tax return. The amount of the credit that the purchaser or member of the consortium may claim pursuant to this section is the amount stated on the tax credit certificate. IF THE PURCHASER IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1), THE PURCHASER SHALL FILE A RETURN PURSUANT TO SECTION 39-22-601 (7)(b).

**SECTION 11.** In Colorado Revised Statutes, 39-22-550, **amend** (1)(b) introductory portion, (1)(b)(I), (2)(c)(III), (2)(c)(IV), (3)(a), (3)(e)(II), (5), and (6); and **add** (2)(c)(V), (3)(e)(III), and (3)(f) as follows:

**39-22-550. Tax credit for reducing emissions from certain lawn equipment - tax preference performance statement - legislative declaration - definitions - report - repeal.**

(1) (b) In accordance with section 39-21-304 (1), which requires each bill that creates a new tax expenditure, OR EXTENDS AN EXPIRING TAX EXPENDITURE, to include a tax preference performance statement as part of a statutory legislative declaration, the general assembly further finds and declares that:

(I) The general legislative purpose of the tax credit allowed by subsection (3) of this section, AND THE GENERAL LEGISLATIVE PURPOSE OF ITS EXTENSION, is to induce certain designated behaviors by taxpayers, specifically the purchase of electric-powered lawn equipment; and

(2) As used in this section, unless the context otherwise requires:

(c) "Qualified retailer" means a retailer that sells lawn equipment and:

(III) Has paid the taxes due on the monthly sales tax return; ~~and~~

(IV) Has registered with the department of revenue pursuant to subsection (3)(e)(II) of this section; AND

(V) HAS NOT BEEN DISQUALIFIED BY THE DEPARTMENT PURSUANT TO SUBSECTION (3)(f) OF THIS SECTION.

(3) (a) For income tax years commencing on or after January 1, 2024, but before ~~January 1, 2027~~ JANUARY 1, 2030, a ~~retailer qualified~~ QUALIFIED RETAILER pursuant

to subsection (3)(e)(II) of this section is allowed a tax credit against the tax imposed pursuant to this article 22 in an amount equal to thirty-three percent of the aggregate purchase price for all retail sales of new, electric-powered lawn equipment that the qualified retailer sold in the state during the tax year.

(e) (II) Before selling a piece of new, electric-powered lawn equipment for which a retailer intends to claim a credit pursuant to this section, the retailer shall register as a qualified retailer by filing with the department of revenue a registration statement in the form and manner that the department prescribes AND RECEIVE APPROVAL OF THEIR REGISTRATION FROM THE DEPARTMENT.

(III) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, THE QUALIFIED RETAILER MAY ELECT ADVANCE PAYMENTS OF THE CREDIT ALLOWED PURSUANT TO THIS SECTION AS SPECIFIED IN SECTION 39-22-629.

(f) (I) AFTER THE NOTICE AND HEARING HELD IN ACCORDANCE WITH SECTIONS 24-4-104 AND 24-4-105, THE DEPARTMENT MAY DISQUALIFY A QUALIFIED RETAILER IF THE DEPARTMENT DETERMINES:

(A) THE QUALIFIED RETAILER REQUESTED ADVANCE PAYMENT OR CLAIMED A CREDIT WITH RESPECT TO A TRANSACTION THAT DOES NOT QUALIFY FOR THE CREDIT ALLOWED BY THIS SECTION;

(B) THE QUALIFIED RETAILER PROVIDED FALSE OR MISLEADING INFORMATION TO THE DEPARTMENT; OR

(C) THE QUALIFIED RETAILER NO LONGER HOLDS A SALES TAX LICENSE.

(II) A RETAILER THAT HAS BEEN DISQUALIFIED PURSUANT TO THIS SUBSECTION (3)(f) MAY NOT REAPPLY TO BE A QUALIFIED RETAILER. THE DEPARTMENT SHALL NOT APPROVE A REGISTRATION SUBMITTED BY A DISQUALIFIED RETAILER.

(5) Pursuant to section 39-21-304 (3), notwithstanding section 24-1-136 (11)(a)(I), and for the purpose of providing data that allows the general assembly and the state auditor to measure the effectiveness of the tax credit created in subsection (3) of this section, the department of revenue, on or before January 1, 2025, and on or before January 1 of each year thereafter through ~~January 1, 2028~~ JANUARY 1, 2031, shall submit to the general assembly and the state auditor a report detailing the sales of new, electric-powered lawn equipment, as reported by a qualified retailer claiming the tax credit authorized under subsection (3) of this section. The tax credit established in this section meets its purpose if sales of new, gasoline-powered lawn equipment are significantly reduced within five years after the tax credit becomes effective, as determined by the general assembly and the state auditor pursuant to section 39-21-304 (3).

(6) This section is repealed, effective ~~December 31, 2033~~ DECEMBER 31, 2036.

**SECTION 12.** In Colorado Revised Statutes, 39-22-551, **amend** (2)(e)(XI), (2)(j), and (6)(a)(I); and **add** (8)(d) as follows:

**39-22-551. Industrial clean energy tax credit - tax preference performance statement - definitions - report - repeal.**

(2) **Definitions.** As used in this section, unless the context otherwise requires:

(e) "Greenhouse gas emissions reduction improvements" means improvements that help to measurably reduce greenhouse gas emissions. "Greenhouse gas emissions reduction improvements" may include one or more of the following equipment purchases, improvements, retrofits, or investments:

(XI) Installing equipment used for collection of biomethane, AND, FOR INCOME TAX YEARS COMMENCING ON AND AFTER JANUARY 1, 2027, INSTALLING EQUIPMENT USED FOR UTILIZATION OF BIOMETHANE;

(j) "Owner" means a person or developer of a project to be implemented at a qualified industrial facility subject to tax under this article 22 who applies for and claims the credit allowed by this section. FOR INCOME TAX YEARS COMMENCING ON AND AFTER JANUARY 1, 2027, "OWNER" ALSO INCLUDES A PERSON OR POLITICAL SUBDIVISION OF THE STATE THAT IS A DEVELOPER OF A PROJECT TO BE IMPLEMENTED AT A QUALIFIED INDUSTRIAL FACILITY AND THAT IS EXEMPT FROM TAXATION UNDER SECTION 39-22-112 (1).

(6) **Merit-based review and reservation of credits.**

(a) (I) For each application period, the office shall conduct a merit-based evaluation of the applications that have been placed in the evaluation pool pursuant to subsection (5)(c)(II)(B) of this section. BEFORE TAX YEARS BEGINNING JANUARY 1, 2027, the office shall complete its review, and award reservations, within ninety days after the end of the application period. FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE OFFICE SHALL COMPLETE ITS REVIEW, AND AWARD RESERVATIONS, WITHIN ONE HUNDRED TWENTY DAYS AFTER THE END OF THE APPLICATION PERIOD.

(8) **Limit on aggregate amount of tax credits available to be reserved.**

(d) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (8)(a) OF THIS SECTION, FOR ANY SEMI-ANNUAL APPLICATION PERIOD COMMENCING ON OR AFTER JULY 1, 2026, THE OFFICE MAY ADJUST THE LIMITS IN SUBSECTION (8)(a) OF THIS SECTION AS SET FORTH IN SECTION 39-22-522 (4)(f).

**SECTION 13.** In Colorado Revised Statutes, 39-22-552, **amend** (4)(c)(I)(B) and (4)(e); and **add** (4)(f) as follows:

**39-22-552. Tax credit for expenditures made in connection with a geothermal energy project - tax preference performance statement - legislative declaration - definitions - repeal.**

(4) (c) (I) (B) Based upon the totality of the factors set forth in subsection (4)(d) of this section and based on considerations required for geothermal energy projects as set forth in subsection (5) of this section, which the office may weigh equally or differently, the office shall determine an applicable amount of credit that may be

reserved for the benefit of the eligible taxpayer which may be all, part, or none of the credit amount requested in the eligible taxpayer's application; except that the office shall not reserve an amount in excess of the limitations set forth in subsection (3)(b) of this section, and, EXCEPT AS PROVIDED IN SUBSECTION (4)(f) OF THIS SECTION, the aggregate amount of credits reserved for all owners must not exceed thirty-five million dollars for all taxpayers in all years the credit is allowed.

(e) (I) The reservation of tax credits does not entitle an eligible taxpayer to an issuance of any credits until the eligible taxpayer provides the office with any documentation required by the office and a cost certification of the expenditure made in connection with an approved geothermal energy project during the tax year in which the reservation is approved. The cost certification must be audited by a licensed public accountant that is not affiliated with the eligible taxpayer. The office shall review the cost certification to verify that it satisfies the information provided in the eligible taxpayer's application. If the office determines that the eligible taxpayer made a qualified expenditure, the office shall issue a tax credit certificate in the applicable amount.

(II) IF THE APPLICABLE AMOUNT OF QUALIFIED EXPENDITURES MADE BY THE ELIGIBLE TAXPAYER IS LESS THAN THE AMOUNT RESERVED PURSUANT TO SUBSECTION (4)(c) OF THIS SECTION, THE OFFICE MAY RESERVE THE EXCESS CREDIT FOR THE BENEFIT OF THE ELIGIBLE TAXPAYER FOR A FUTURE TAX YEAR OR RESERVE THE EXCESS FOR THE BENEFIT OF ANOTHER APPLICANT AS SET FORTH IN SUBSECTION (4)(c) OF THIS SECTION; EXCEPT THAT THE OFFICE SHALL NOT RESERVE CREDITS FOR ANY TAX YEAR BEGINNING ON OR AFTER JANUARY 1, 2033.

(f) (I) BEGINNING JULY 1, 2026, THE OFFICE MAY INCREASE THE LIMIT ON THE AGGREGATE AMOUNT OF CREDITS RESERVED FOR ALL OWNERS SET FORTH IN SUBSECTION (4)(c)(I)(B) OF THIS SECTION TO THE EXTENT OF THE EXCESS OF THE AGGREGATE AMOUNT OF CREDIT AVAILABLE PURSUANT TO SECTION 39-22-551 (8)(b) OVER THE AMOUNT OF CREDITS RESERVED OR AWARDED BY THE OFFICE PURSUANT TO SECTION 39-22-551 (6)(a) OR (7)(c), RESPECTIVELY. THE OFFICE SHALL DECREASE ACCORDINGLY THE AGGREGATE AMOUNT OF CREDIT AVAILABLE PURSUANT TO SECTION 39-22-551 (8)(b).

(II) BEGINNING JULY 1, 2026, THE OFFICE MAY INCREASE THE AGGREGATE AMOUNT OF CREDIT AVAILABLE PURSUANT TO SECTION 39-22-551 (8)(b) BY ANY AMOUNT NOT RESERVED OR ALLOWED PURSUANT TO THIS SUBSECTION (4). THE OFFICE SHALL DECREASE ACCORDINGLY THE LIMIT ON THE AGGREGATE AMOUNT OF CREDITS RESERVED FOR ALL OWNERS SET FORTH IN SUBSECTION (4)(c)(I)(B) OF THIS SECTION.

**SECTION 14.** In Colorado Revised Statutes, 39-22-554, **amend** (3)(f) as follows:

**39-22-554. Heat pump technology and thermal energy network tax credit - tax preference performance statement - legislative declaration - definitions - repeal.**

(3) (f) (I) If the June 2025 revenue forecast, ~~and each June revenue forecast through the June 2031 revenue forecast~~ as prepared by either legislative council

staff or the office of state planning and budgeting, projects that state revenues, as defined in section 24-77-103.6 (6)(c), will not increase by at least four percent for the next fiscal year, the amount of the credit allowed pursuant to subsection (3)(c)(I)(B), (3)(c)(I)(C), (3)(c)(II)(B), (3)(c)(II)(C), or (3)(c)(III)(B) of this section, as may be modified by subsections (3)(d) and (3)(e) of this section, for any tax year commencing in the calendar year that begins during said next fiscal year is reduced by fifty percent if the heat pump technology is installed at an existing residential or nonresidential building; except that if the amount of the reduced credit is equal to or less than two hundred fifty dollars, then no credit is available for ~~such a~~ THAT INCOME tax year.

(II) THIS SUBSECTION (3)(f) IS REPEALED, EFFECTIVE DECEMBER 31, 2031.

**SECTION 15.** In Colorado Revised Statutes, 39-22-555, **amend** (2)(g)(III), (2)(g)(IV), (3)(e)(III), and (6); and **add** (2)(g)(V), (3)(e)(IV), and (4)(c) as follows:

**39-22-555. Electric bicycle tax credit - tax preference performance statement - legislative declaration - definitions - repeal.**

(2) **Definitions.** As used in this section, unless the context otherwise requires:

(g) "Qualified retailer" means a retailer that sells qualified electric bicycles and:

(III) Has paid the taxes due on the monthly sales tax return; ~~and~~

(IV) Has registered with the department pursuant to subsection (3)(e)(III) of this section; AND

(V) HAS NOT BEEN DISQUALIFIED BY THE DEPARTMENT PURSUANT TO SUBSECTION (4)(c) OF THIS SECTION.

(3)(e)(III) Prior to selling a qualified electric bicycle for which a retailer intends to claim a credit pursuant to this section, the retailer shall:

(A) Register as a qualified retailer by filing with the department a registration statement in the form and manner prescribed by the department AND RECEIVE APPROVAL OF THEIR REGISTRATION FROM THE DEPARTMENT; AND

(B) PROVIDE THE OFFICE DETAILED INFORMATION AS THE OFFICE MAY REQUIRE REGARDING EACH MODEL OF QUALIFIED ELECTRIC BICYCLE THE RETAILER INTENDS TO SELL FOR THE CREDIT ALLOWED BY THIS SECTION. THE OFFICE MAY REQUIRE A QUALIFIED RETAILER TO PERIODICALLY UPDATE THE INFORMATION REQUIRED BY THIS SUBSECTION (3)(e)(III)(B).

(IV) A QUALIFIED RETAILER MAY AUTHORIZE THE OFFICE TO PUBLICIZE THE QUALIFIED RETAILER'S INTENTION TO SELL QUALIFIED ELECTRIC BICYCLES PURSUANT TO THIS SECTION ON THE OFFICE'S WEBSITE.

(4)(c)(I) AFTER THE NOTICE AND HEARING HELD IN ACCORDANCE WITH SECTIONS 24-4-104 AND 24-4-105, THE DEPARTMENT MAY DISQUALIFY A QUALIFIED RETAILER IF THE DEPARTMENT DETERMINES:

(A) THE QUALIFIED RETAILER REQUESTED ADVANCE PAYMENT OR CLAIMED A CREDIT WITH RESPECT TO A TRANSACTION THAT DOES NOT QUALIFY FOR THE CREDIT ALLOWED BY THIS SECTION;

(B) THE QUALIFIED RETAILER PROVIDED FALSE OR MISLEADING INFORMATION TO THE DEPARTMENT OR THE OFFICE;

(C) THE QUALIFIED RETAILER FAILED TO COMPLY WITH THE REQUIREMENTS SET FORTH IN SUBSECTION (3)(e)(III)(B) OF THIS SECTION; OR

(D) THE QUALIFIED RETAILER NO LONGER HOLDS A SALES TAX LICENSE.

(II) THE DEPARTMENT MAY CONSULT WITH THE OFFICE FOR THE PURPOSE OF MAKING A DETERMINATION PURSUANT TO THIS SUBSECTION (4)(c).

(III) A RETAILER THAT HAS BEEN DISQUALIFIED PURSUANT TO THIS SUBSECTION (4)(c) MAY NOT REAPPLY TO BE A QUALIFIED RETAILER. THE DEPARTMENT SHALL NOT APPROVE A REGISTRATION SUBMITTED BY A DISQUALIFIED RETAILER.

(IV) UPON NOTIFICATION BY THE DEPARTMENT OF A RETAILER'S DISQUALIFICATION, THE OFFICE SHALL REMOVE THE DISQUALIFIED RETAILER FROM THE LIST PUBLISHED PURSUANT TO SUBSECTION (3)(e)(IV) OF THIS SECTION.

(6) (a) If the June 2025 revenue forecast, ~~and each June revenue forecast through the June 2031 revenue forecast~~ as prepared by either legislative council staff or the office of state planning and budgeting, projects that state revenues, as defined in section 24-77-103.6 (6)(c), will not increase by at least four percent for the next fiscal year, the amount of the credit allowed pursuant to this section, the discount required pursuant to subsection (3)(b) of this section, and the administrative fee allowed pursuant to subsection (3)(d) of this section for any tax year commencing in the calendar year that begins during said next fiscal year, is reduced by fifty percent.

(b) THIS SUBSECTION (6) IS REPEALED, EFFECTIVE DECEMBER 31, 2031.

**SECTION 16.** In Colorado Revised Statutes, 39-21-113, **add** (41) and (42) as follows:

**39-21-113. Reports and returns - rule - repeal.**

(41) NOTWITHSTANDING THE PROVISIONS OF THIS SECTION, THE EXECUTIVE DIRECTOR MAY PROVIDE TO THE COLORADO ENERGY OFFICE DETAILED TAXPAYER INFORMATION PERTINENT TO A CLAIM FOR AN INCOME TAX CREDIT FOR THE RETAIL SALE OF A QUALIFIED ELECTRIC BICYCLE PURSUANT TO SECTION 39-22-555. ANY INFORMATION PROVIDED PURSUANT TO THIS SUBSECTION (41) MUST REMAIN CONFIDENTIAL, AND ALL PERSONS WHO RECEIVE THIS INFORMATION ARE SUBJECT TO THE LIMITATIONS SPECIFIED IN SUBSECTION (4) OF THIS SECTION AND THE PENALTIES SPECIFIED IN SUBSECTION (6) OF THIS SECTION.

(42) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, THE EXECUTIVE DIRECTOR MAY PROVIDE TO THE COLORADO ENERGY OFFICE SUCH DETAILED

TAXPAYER INFORMATION PERTINENT TO A CLAIM FOR AN INCOME TAX CREDIT FOR THE INSTALLATION OF A HEAT PUMP PURSUANT TO SECTION 39-22-554. ANY INFORMATION PROVIDED PURSUANT TO THIS SUBSECTION (42) MUST REMAIN CONFIDENTIAL, AND ALL PERSONS WHO RECEIVE THIS INFORMATION ARE SUBJECT TO THE LIMITATIONS SPECIFIED IN SUBSECTION (4) OF THIS SECTION AND THE PENALTIES SPECIFIED IN SUBSECTION (6) OF THIS SECTION.

**SECTION 17.** In Colorado Revised Statutes, 39-22-556, **amend** (3)(a), (4)(b), (7), and (9) as follows:

**39-22-556. Tax credit for sustainable aviation fuel production facility - tax preference performance statement - legislative declaration - definitions - repeal.**

(3) (a) For tax years commencing on or after January 1, 2024, but before ~~January 1, 2033~~ JANUARY 1, 2027, a qualified taxpayer is allowed a credit against the income tax imposed under this article 22 for an amount of the actual cost paid to construct, reconstruct, or erect a sustainable aviation fuel production facility in the state equal to:

(I) Thirty percent for a facility for which construction begins on or after January 1, 2024, but before January 1, 2027;

~~(II) Twenty-four percent for a facility for which construction begins on or after January 1, 2027, but before January 1, 2028;~~

~~(III) Eighteen percent for a facility for which construction begins on or after January 1, 2028, but before January 1, 2029; and~~

~~(IV) Twelve percent for a facility for which construction begins on or after January 1, 2029, but before January 1, 2033.~~

(4) (b) The aggregate amount of all tax credit certificates issued by the office pursuant to this subsection (4) must not exceed one million dollars for the 2024 income tax year, two million dollars per year for the 2025 and 2026 income tax years, ~~and three million dollars per year for income tax years 2027 through 2032~~ YEAR.

(7) Notwithstanding the requirement in section 24-1-136 (11)(a)(I), for the purpose of providing data that allows the general assembly and the state auditor to measure the effectiveness of the credit created in subsection (3) of this section pursuant to section 39-21-304 (3), the office on or before January 1, 2026, and on or before January 1 of each year thereafter until ~~January 1, 2034~~ JANUARY 1, 2027, shall submit to the general assembly and the state auditor a report detailing the construction, reconstruction, and erection of sustainable aviation fuel production facilities as reported by qualified taxpayers claiming the credit in this section. The tax credit meets its purpose if the construction, reconstruction, and erection of sustainable aviation fuel production facilities in the state increase significantly in tax years for which the credit is allowed.

(9) This section is repealed, effective ~~December 31, 2038~~ DECEMBER 31, 2033.

**SECTION 18.** In Colorado Revised Statutes, **add** 39-22-556.5 as follows:

**39-22-556.5. Tax credit for the purchase of sustainable aviation fuel - tax preference performance statement - legislative declaration - definitions - repeal.**

(1)(a) IN ACCORDANCE WITH SECTION 39-21-304(1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THIS TAX EXPENDITURE IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS, SPECIFICALLY THE PURCHASE OF SUSTAINABLE AVIATION FUEL FOR USE IN THE STATE, BY PROVIDING TAX RELIEF FOR CERTAIN BUSINESSES AND INDIVIDUALS THAT PURCHASE SUSTAINABLE AVIATION FUEL FOR USE IN THE STATE.

(b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE INFORMATION REQUIRED BY AND REPORTED TO THE OFFICE PURSUANT TO SUBSECTION (5) OF THIS SECTION.

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

(a) "CARBON INTENSITY" MEANS THE AMOUNT OF GREENHOUSE GASES GENERATED PER GALLON OF SUSTAINABLE AVIATION FUEL PRODUCED.

(b) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101.

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

(d) "QUALIFIED TAXPAYER" MEANS A PERSON WHO PURCHASES SUSTAINABLE AVIATION FUEL FOR UPLIFT AND USE IN THE STATE IF THAT PERSON IS SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22 OR IS A PERSON OR POLITICAL SUBDIVISION OF THE STATE THAT IS EXEMPT FROM TAXATION PURSUANT TO SECTION 39-22-112 (1); EXCEPT THAT "QUALIFIED PURCHASER" DOES NOT INCLUDE A SUSTAINABLE AVIATION FUEL PRODUCER OR BLENDER.

(e) "SUSTAINABLE AVIATION FUEL" HAS THE SAME MEANING AS SET FORTH IN SECTION 40B (d) OF THE INTERNAL REVENUE CODE.

(3) (a) (I) FOR TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2033, A QUALIFIED TAXPAYER IS ALLOWED A CREDIT AGAINST THE INCOME TAX IMPOSED UNDER THIS ARTICLE 22 IN AN AMOUNT NOT LESS THAN ONE DOLLAR AND FIFTY CENTS, INCREASED BY ONE CENT FOR EACH WHOLE PERCENTAGE OF CARBON INTENSITY REDUCTION IN EXCESS OF FIFTY PERCENT, BUT NO GREATER THAN ONE HUNDRED PERCENT, FOR EACH GALLON OF SUSTAINABLE AVIATION FUEL THAT THE QUALIFIED TAXPAYER PURCHASED FOR USE IN THE STATE DURING THE INCOME TAX YEAR, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3)(b) OF THIS SECTION.

(II) FOR TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2028, THE OFFICE MAY ALLOW AN ADDITIONAL CREDIT OF FIFTY CENTS FOR EACH GALLON OF SUSTAINABLE AVIATION FUEL PRODUCED IN THE STATE THAT THE QUALIFIED TAXPAYER PURCHASED FOR USE IN THE STATE DURING THE INCOME TAX YEAR, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3)(b) OF THIS SECTION.

(b) THE OFFICE SHALL ANNUALLY REVIEW AND EVALUATE THE EFFECTIVENESS OF THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION AND MAY, NOTWITHSTANDING SUBSECTION (3)(a) OF THIS SECTION, FOR THE SUBSEQUENT TAX YEAR, MODIFY THE AMOUNT PER GALLON, INCLUDING THE INCREASE AS A RESULT OF CARBON INTENSITY REDUCTION, THAT A QUALIFIED TAXPAYER IS ALLOWED AS A CREDIT AGAINST THE INCOME TAX IMPOSED UNDER THIS ARTICLE 22 PURSUANT TO THIS SECTION. THE OFFICE SHALL POST THE MODIFIED AMOUNT ON ITS WEBSITE.

(c) FOR PURPOSES OF THIS SECTION, SUSTAINABLE AVIATION FUEL IS DEEMED TO BE PURCHASED FOR USE IN THE STATE IF IT IS DELIVERED TO AND USED FOR FUELING AIRCRAFT AT A COLORADO AIRPORT, AIRFIELD, OR AIRPARK NOTWITHSTANDING THE SUBSEQUENT OPERATION OF SUCH AIRCRAFT OUTSIDE THE STATE. EXCEPT AS PROVIDED IN THIS SUBSECTION (3)(c), FUEL LOADED INTO A CARGO TANK OR OTHERWISE EXPORTED FROM THE STATE IS NOT DEEMED TO BE PURCHASED FOR USE IN THE STATE.

(d) IF A CREDIT IS ALLOWED PURSUANT TO THIS SECTION TO A QUALIFIED PURCHASER THAT IS AN AIRPORT, AIRFIELD, OR AIRPARK, NO ADDITIONAL CREDIT IS ALLOWED TO A QUALIFIED PURCHASER THAT PURCHASES THE SUSTAINABLE AVIATION FUEL, DIRECTLY OR INDIRECTLY, FROM THE QUALIFIED PURCHASER TO WHICH THE CREDIT WAS ALLOWED. THE QUALIFIED PURCHASER FOR WHICH A CREDIT WAS RESERVED SHALL DISCLOSE TO ANY PURCHASER THAT IT HAS RESERVED A CREDIT WITH RESPECT TO THE SUSTAINABLE AVIATION FUEL SOLD.

(4) (a) PRIOR TO PURCHASING SUSTAINABLE AVIATION FUEL FOR USE IN THE STATE, A QUALIFIED TAXPAYER SHALL SUBMIT AN APPLICATION TO THE OFFICE FOR A TAX CREDIT CERTIFICATE TO RESERVE THE CREDIT ALLOWED BY THIS SECTION ON A FORM AND IN A MANNER PRESCRIBED BY THE OFFICE. THE APPLICATION MUST INCLUDE INFORMATION TO ALLOW THE OFFICE TO MAKE A DETERMINATION THAT THE APPLICANT IS A QUALIFIED TAXPAYER, DOCUMENTATION REGARDING THE CARBON INTENSITY OF THE SUSTAINABLE AVIATION FUEL THAT WILL BE PURCHASED, AND AN ESTIMATE OF THE AMOUNT OF SUSTAINABLE AVIATION FUEL THE QUALIFIED TAXPAYER PLANS TO PURCHASE FOR USE IN THE STATE DURING THE INCOME TAX YEAR.

(b) AFTER REVIEWING THE APPLICATION, THE OFFICE SHALL DETERMINE WHETHER THE APPLICANT QUALIFIES FOR THE CREDIT AND THE AMOUNT OF CREDIT TO BE RESERVED FOR THE BENEFIT OF THE QUALIFIED TAXPAYER, WHICH MAY BE ALL, PART, OR NONE OF THE AMOUNT REQUESTED IN THE APPLICATION. THE OFFICE SHALL NOTIFY THE APPLICANT IN WRITING OF ITS DECISION AND THE AMOUNT RESERVED, IF ANY. THE AGGREGATE AMOUNT OF CREDIT THE OFFICE MAY RESERVE PURSUANT TO THIS SUBSECTION (4) MUST NOT EXCEED THREE MILLION DOLLARS PER CALENDAR YEAR. IN THE CASE OF A QUALIFIED TAXPAYER WITH AN INCOME TAX YEAR OTHER THAN A CALENDAR YEAR, CREDIT RESERVED PURSUANT TO THIS SUBSECTION (4) MAY BE CLAIMED FOR THE TAX YEAR THAT BEGINS DURING THE CALENDAR YEAR.

(c) FOLLOWING THE CLOSE OF THE TAX YEAR, IN ACCORDANCE WITH THE STANDARDS DEVELOPED BY THE OFFICE PURSUANT TO SUBSECTION (4)(e) OF THIS SECTION, THE QUALIFIED TAXPAYER SHALL SUBMIT DOCUMENTATION SUBSTANTIATING THE QUALIFIED TAXPAYER'S PURCHASES OF SUSTAINABLE AVIATION FUEL FOR USE IN THE STATE DURING THE TAX YEAR. UPON A DETERMINATION BY THE OFFICE THAT THE PURCHASES QUALIFY FOR THE CREDIT ALLOWED BY THIS SECTION, THE OFFICE SHALL ISSUE THE TAXPAYER A TAX CREDIT CERTIFICATE FOR THE LESSER OF THE CREDIT ALLOWED PURSUANT TO SUBSECTION (3)(a) OF THIS SECTION WITH RESPECT TO THE AMOUNT OF SUSTAINABLE AVIATION FUEL ACTUALLY PURCHASED FOR USE IN THE STATE OR THE AMOUNT OF CREDIT RESERVED FOR THE BENEFIT OF THE QUALIFIED TAXPAYER PURSUANT TO THIS SUBSECTION (4).

(d) THE OFFICE SHALL, IN A SUFFICIENTLY TIMELY MANNER TO ALLOW THE DEPARTMENT TO PROCESS RETURNS CLAIMING THE INCOME TAX CREDIT ALLOWED IN THIS SECTION, PROVIDE THE DEPARTMENT WITH AN ELECTRONIC REPORT OF EACH QUALIFIED TAXPAYER THAT THE OFFICE APPROVED FOR THE INCOME TAX CREDIT ALLOWED IN THIS SECTION FOR THE PRECEDING CALENDAR YEAR THAT INCLUDES THE FOLLOWING INFORMATION:

(I) THE TAXPAYER'S NAME;

(II) THE TAXPAYER'S SOCIAL SECURITY NUMBER OR THE TAXPAYER'S COLORADO ACCOUNT NUMBER AND FEDERAL EMPLOYER IDENTIFICATION NUMBER; AND

(III) THE AMOUNT OF THE TAX CREDIT CERTIFICATE.

(e) THE OFFICE SHALL DEVELOP STANDARDS FOR THE APPROVAL OF QUALIFIED TAXPAYERS FOR WHOM A TAX CREDIT UNDER THIS SECTION IS ALLOWED AND THE AWARDED OF TAX CREDIT CERTIFICATES PURSUANT TO THIS SUBSECTION (4) AND SHALL POST THOSE STANDARDS ON ITS WEBSITE.

(5) NOTWITHSTANDING THE REQUIREMENT IN SECTION 24-1-136 (11)(a)(I), FOR THE PURPOSE OF PROVIDING DATA THAT ALLOWS THE GENERAL ASSEMBLY AND THE STATE AUDITOR TO MEASURE THE EFFECTIVENESS OF THE CREDIT CREATED IN SUBSECTION (3) OF THIS SECTION PURSUANT TO SECTION 39-21-304 (3), THE OFFICE, ON OR BEFORE JANUARY 1, 2028, AND ON OR BEFORE JANUARY 1 OF EACH YEAR THEREAFTER UNTIL JANUARY 1, 2034, SHALL SUBMIT TO THE GENERAL ASSEMBLY AND THE STATE AUDITOR A REPORT DETAILING THE PURCHASE OF SUSTAINABLE AVIATION FUEL BY TAXPAYERS CLAIMING THE CREDIT IN THIS SECTION. THE TAX CREDIT MEETS ITS PURPOSE IF THE PURCHASE OF SUSTAINABLE AVIATION FUEL IN THE STATE INCREASES SIGNIFICANTLY IN TAX YEARS FOR WHICH THE CREDIT IS ALLOWED.

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

(7) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2038.

**SECTION 19.** In Colorado Revised Statutes, 39-22-629, **amend** (1)(a) as follows:

**39-22-629. Advance payments of income tax credits - definitions.**

(1) As used in this section, unless the context otherwise requires:

(a) "Applicable credit" means:

(I) FOR INCOME TAX YEARS COMMENCING BEFORE JANUARY 1, 2027, the credits allowed in sections 39-22-516.7, 39-22-516.8, and 39-22-555; AND

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE CREDITS ALLOWED IN SECTIONS 39-22-516.7, 39-22-516.8, 39-22-550, AND 39-22-555.

**SECTION 20.** In Colorado Revised Statutes, 39-26-710, **amend** (1)(a) and (2) as follows:

**39-26-710. Railroads - construction and building materials - tangible personal property - work equipment - rolling stock - tax preference performance statement - legislative declaration.**

(1) The following shall be exempt from taxation under the provisions of part 1 of this article:

(a) The sale of construction and building materials to a common carrier by rail operating in interstate or foreign commerce for use by the common carrier in construction and maintenance of its railroad tracks; however, any actual use of such construction and building materials shall, at the time of the actual use, be subject to the tax imposed by part 2 of this ~~article~~ ARTICLE 26 and any use tax imposed pursuant to article 2 of title 29, ~~C.R.S.~~ EXCEPT AS PROVIDED IN SUBSECTION (2)(c) OF THIS SECTION;

(2) The following shall be exempt from taxation under the provisions of part 2 of this ~~article~~ ARTICLE 26:

(a) The storage, use, or consumption of any tangible personal property that is to be affixed or attached as a component part of a locomotive, a freight car, railroad work equipment, or other railroad rolling stock; ~~and~~

(b) The storage, use, or consumption of locomotives, freight cars, railroad work equipment, and other railroad rolling stock used or purchased for use in interstate commerce by a railroad company; AND

(c) FOR TAX PERIODS BEGINNING ON OR AFTER JULY 1, 2027, THE STORAGE, USE, OR CONSUMPTION OF CONSTRUCTION AND BUILDING MATERIALS BY OR ON BEHALF OF A COMMON CARRIER BY RAIL OPERATING IN INTERSTATE OR FOREIGN COMMERCE WHEN THE STORAGE, USE, OR CONSUMPTION OF THE CONSTRUCTION AND BUILDING MATERIALS IS PURSUANT TO A CONTRACT WITH THE STATE, A DEPARTMENT OR INSTITUTION OF THE STATE, A POLITICAL SUBDIVISION OF THE STATE, OR A SPECIAL

DISTRICT THAT ALLOWS THE STATE, A DEPARTMENT OR INSTITUTION OF THE STATE, A POLITICAL SUBDIVISION OF THE STATE, OR A SPECIAL DISTRICT TO USE THE RAILROAD'S PROPERTY OR TRACKS FOR THE PROVISION OF PUBLIC PASSENGER RAIL SERVICE. THE DEPARTMENT OF TRANSPORTATION SHALL NOTIFY THE DEPARTMENT OF REVENUE OF THE IDENTITY OF ANY COMMON CARRIER ELIGIBLE FOR THE EXEMPTION ALLOWED BY THIS SUBSECTION (2)(c).

**SECTION 21.** In Colorado Revised Statutes, 39-26-723, **amend** (1) and (3); and **add** (2.5) as follows:

**39-26-723. Colorado wood products - repeal - tax preference performance statement - legislative declaration.**

(1) For STATE fiscal years commencing on or after July 1, 2008, but prior to the STATE fiscal year commencing on July 1, 2020, and for STATE fiscal years commencing on or after July 1, 2021, but prior to the ~~fiscal year commencing on July 1, 2026~~, CALENDAR YEAR COMMENCING ON JANUARY 1, 2031, all sales, storage, and use of wood from salvaged trees killed or infested in Colorado 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 taxation under the provisions of parts 1 and 2 of this article 26.

(2.5) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES ANY BILL THAT EXTENDS AN EXPIRING TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED IN SUBSECTION (1)(a) OF THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS BY CONTINUING TO ENCOURAGE THE SALE, STORAGE, AND USE OF WOOD FROM SALVAGED TREES KILLED OR INFESTED IN COLORADO BY MOUNTAIN PINE BEETLES OR SPRUCE BEETLES. THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THIS PURPOSE BASED ON THE VALUE OF EXEMPT SALES.

(3) This section is repealed, effective ~~July 1, 2027~~ JULY 1, 2034.

**SECTION 22.** In Colorado Revised Statutes, 39-26-728, **amend** (1) as follows:

**39-26-728. Property for use in space flight - definitions - repeal.**

(1) (a) ~~For the state fiscal years commencing on or after July 1, 2014~~, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (1)(b) OF THIS SECTION, all sales, storage, and use of qualified property, ON OR AFTER JULY 1, 2024, BUT BEFORE JANUARY 1, 2027, for use in space flight is exempt from taxation under parts 1 and 2 of this ~~article~~ ARTICLE 26.

(b) ON OR AFTER JANUARY 1, 2030, ALL SALES, STORAGE, AND USE OF QUALIFIED PROPERTY FOR USE IN SPACE FLIGHT IS EXEMPT FROM TAXATION UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

(c) SUBSECTION (1)(a) OF THIS SECTION AND THIS SUBSECTION (1)(c) ARE REPEALED, EFFECTIVE DECEMBER 31, 2029.

**SECTION 23.** In Colorado Revised Statutes, 39-27-102, **amend** (1)(b)(I) as follows:

**39-27-102. Tax imposed on gasoline and special fuel - deposits - penalties.**

(1) (b) (I) In the case of gasoline or special fuel removed from a terminal, the tax is imposed upon the person first receiving the gasoline or special fuel at the terminal even if such person is also the supplier. In the case of gasoline or special fuel removed from a terminal by a common carrier, the consignor who owns the gasoline or special fuel removed by the common carrier is deemed to be the remover and first recipient thereof. The amount of gasoline or special fuel removed is deemed to be the amount shipped from the terminal, measured in gallons, as shown by the terminal manifest; except that, FOR TAX PERIODS BEGINNING BEFORE JANUARY 1, 2027, THE LICENSED DISTRIBUTOR SHALL DEDUCT an allowance of two percent of the total amount of gasoline or special fuel acquired during any calendar month, as shown by terminal manifests, ~~is deducted by the licensed distributor~~ to cover losses in transit and in unloading the gasoline or special fuel but there is no allowance for liquefied petroleum gas or removal by bulk transfer, AND, FOR TAX PERIODS BEGINNING ON OR AFTER JANUARY 1, 2027, THE LICENSED DISTRIBUTOR SHALL DEDUCT AN ALLOWANCE OF ONE AND ONE-HALF PERCENT OF THE TOTAL AMOUNT OF GASOLINE OR SPECIAL FUEL ACQUIRED DURING ANY CALENDAR MONTH, AS SHOWN BY TERMINAL MANIFESTS, TO COVER LOSSES IN TRANSIT AND IN UNLOADING THE GASOLINE OR SPECIAL FUEL, BUT THERE IS NO ALLOWANCE FOR LIQUEFIED PETROLEUM GAS OR REMOVAL BY BULK TRANSFER. The ~~two percent~~ allowance provided under this subsection (1)(b)(I) is allowed whether the terminal is within or ~~without this~~ OUTSIDE OF THE state.

**SECTION 24.** In Colorado Revised Statutes, 39-27-105, **amend** (2)(a)(I) and (2)(b) as follows:

**39-27-105. Collection of tax on gasoline and special fuel - rules - repeal.**

(2) (a) (I) It is the duty of every distributor of gasoline or special fuel other than liquefied petroleum gas to compute the amount of tax payable on all gasoline or special fuel imported, removed from a terminal, or otherwise acquired during the preceding calendar month at the rate of tax per gallon imposed thereon in section 39-27-102 (1). ~~and~~ In computing the amount of tax FOR TAX PERIODS BEGINNING BEFORE JANUARY 1, 2027, the allowance of two percent provided for in ~~section 39-27-102 (1)(b)(I)(A) shall~~ SECTION 39-27-102 (1)(b)(I) MUST be taken into account. IN COMPUTING THE AMOUNT OF TAX FOR TAX PERIODS BEGINNING ON OR AFTER JANUARY 1, 2027, THE DISTRIBUTOR SHALL TAKE INTO ACCOUNT THE ALLOWANCE OF ONE PERCENT PROVIDED FOR IN SECTION 39-27-102 (1)(b)(I).

(b) (I) From the amount of tax computed under subsection (2)(a) of this section, the distributor shall deduct one-half of one percent to cover expenses of payment of the tax and bad debt losses and shall pay the remaining balance to the department of revenue and file the statement required by subsection (1) of this section on or before the twenty-sixth day of each calendar month. If any distributor is delinquent

in remitting the tax, except in unusual circumstances shown to the satisfaction of the executive director of the department of revenue, the retailer shall not be allowed to deduct any amount under this subsection (2)(b).

(II) FOR TAX PERIODS BEGINNING ON OR AFTER JANUARY 1, 2027, THE DISTRIBUTOR SHALL FILE THE STATEMENT REQUIRED BY SUBSECTION (1) OF THIS SECTION AND SHALL PAY THE AMOUNT OF TAX COMPUTED UNDER SUBSECTION (2)(a) OF THIS SECTION ON OR BEFORE THE TWENTY-SIXTH DAY OF EACH CALENDAR MONTH.

**SECTION 25.** In Colorado Revised Statutes, 39-28-103.3, **amend** (4) as follows:

**39-28-103.3. Inventory tax - definition.**

(4) Every wholesaler and wholesale subcontractor shall file a report, on a form created by the department, of the inventory identified in accordance with subsection (3) of this section and pay the tax imposed under this section for the inventory. A wholesaler shall separately identify the number of packages with a Colorado tax stamp and the unaffixed Colorado tax stamps. The wholesaler or wholesale subcontractor shall remit the tax payment on or before the tenth day of the month following the required inventory. FOR TAX PERIODS BEGINNING BEFORE JANUARY 1, 2027, if payment is made on or before the due date, the wholesaler or wholesale subcontractor may deduct three percent of the tax imposed under this section, but, if any wholesaler or wholesale subcontractor is delinquent in remitting such payment, other than in unusual circumstances shown to the satisfaction of the executive director of the department, the wholesaler or wholesale subcontractor shall not be allowed to retain any amounts to cover the expense in collecting and remitting the tax and the TAX, AND, IN ADDITION, FOR ANY TAX PERIOD, THE penalty imposed under section 39-28-108 (2) applies.

**SECTION 26.** In Colorado Revised Statutes, 39-28-104, **amend** (1)(a)(I) as follows:

**39-28-104. Evidence of payment of tax - credits - redemptions - repeal.**

(1) (a) (I) Payment of the taxes imposed by sections 39-28-103 and 39-28-103.5 and section 21 of article X of the state constitution shall be evidenced by the affixing of stamps to, or by an imprint or impression by suitable metering machines approved by the department on, packages containing cigarettes. The department shall procure stamps of such design and legend as it deems necessary and suitable for the purpose. Except as provided in THIS subsection (1), ~~(b) of this section~~ the department shall sell such stamps for cash to licensed wholesalers at a discount of four percent of their face value for sales occurring after July 1, 2005, but before January 1, 2021, and four-tenths percent of their face value for sales occurring on and after January 1, 2021, BUT BEFORE JANUARY 1, 2027, if payment is made on or before the tenth day of the month following the month in which the purchase is made to cover the licensed wholesaler's expense in the collection and remittance of such tax; but, if any licensed wholesaler is delinquent in remitting such payment, other than in unusual circumstances shown to the satisfaction of the executive director of the department, the licensed wholesaler shall not be allowed to retain any amounts THAT MAY BE AVAILABLE FOR TAX PERIODS BEFORE JANUARY 1, 2027, to

cover ~~his or her~~ THE WHOLESALER'S expense in collecting and remitting said tax, and, in addition, FOR ANY TAX PERIOD, the penalty imposed under section 39-28-108 (2) shall apply. The department shall keep accurate records of all stamps sold to each wholesaler. No wholesaler shall sell or transfer any stamps purchased pursuant to this article 28.

**SECTION 27.** In Colorado Revised Statutes, 39-28-108, **amend** (2)(b) as follows:

**39-28-108. Penalty.**

(2) (b) If a person fails to pay the tax in the time ~~allowed for the discount in~~ REQUIRED PURSUANT TO section 39-28-104 (1) or 39-28-103.3, a penalty equal to ten percent thereof plus one-half of one percent per month from the date when due, not to exceed eighteen percent in the aggregate, together with interest on such delinquent taxes at the rate computed under section 39-21-110.5, shall apply.

**SECTION 28.** In Colorado Revised Statutes, 39-28.5-106, **amend** (2) as follows:

**39-28.5-106. Returns and remittance of tax - civil penalty.**

(2) Every distributor and remote retail seller shall file a return with the department by the twentieth day of the month following the month reported and shall therewith remit the amount of tax due, less three and one-third percent of any sum so remitted that consists of tax collected after July 1, 2005, but before January 1, 2021, and less one and six-tenths percent of any sum so remitted that consists of tax collected on or after January 1, 2021, BUT BEFORE JANUARY 1, 2027, to cover the distributor's or remote retail seller's expense in the collection and remittance of said tax; except that no part of the tax imposed pursuant to section 39-28.5-102.5 and section 21 of article X of the state constitution shall be subject to the discount provided for in this subsection (2). If any distributor or remote retail seller is delinquent in remitting said tax, other than in unusual circumstances shown to the satisfaction of the executive director of the department, the distributor or remote retail seller shall not be allowed to retain any amounts ALLOWED FOR TAX PERIODS BEFORE JANUARY 1, 2027, to cover ~~his or her~~ THE DISTRIBUTOR'S expense in collecting and remitting said tax, and in addition, FOR ANY TAX PERIOD, the penalty imposed under section 39-28.5-110 (2)(b) shall apply.

**SECTION 29.** In Colorado Revised Statutes, 39-28.6-107, **amend** (2) as follows:

**39-28.6-107. Returns and remittance of tax - civil penalty - rules.**

(2) Every distributor shall file a return with the department by the twentieth day of the month following the month reported and shall therewith remit the amount of tax due. ~~less~~ FOR TAX PERIODS BEGINNING BEFORE JANUARY 1, 2027, A DISTRIBUTOR IS ENTITLED TO CLAIM A DISCOUNT OF ONE AND ONE-TENTH PERCENT OF ANY AMOUNT REMITTED TO COVER THE DISTRIBUTOR'S EXPENSE IN THE COLLECTION AND REMITTANCE OF THE TAX. ~~For tax periods beginning before January 1, 2027,~~ If any distributor is delinquent in remitting the tax, other than in unusual circumstances shown to the satisfaction of the executive director of the department, the distributor is not allowed to retain any amounts ALLOWED FOR TAX PERIODS BEFORE JANUARY 1, 2027, to cover ~~his or her~~

THE DISTRIBUTOR'S expense in collecting and remitting the tax and, in addition, FOR ANY TAX PERIOD, the penalty imposed under section 39-28.6-111 (2)(b) applies.

**SECTION 30.** In Colorado Revised Statutes, 39-30-104, **amend** (2)(c)(I) introductory portion and (2.6)(a) introductory portion; and **add** (1)(a)(III), (1)(b)(VIII), (4)(c), and (8) as follows:

**39-30-104. Credit against tax - investment in certain property - definitions - repeal - tax preference performance statement - legislative declaration.**

(1) (a) (III) NOTWITHSTANDING SUBSECTION (1)(a)(I) OF THIS SECTION, FOR CREDITS ALLOWED BEGINNING IN INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A TAXPAYER IS NOT ALLOWED A CREDIT WITH RESPECT TO A QUALIFIED INVESTMENT IN A COMMERCIAL TRUCK, TRUCK TRACTOR, TRACTOR, OR SEMITRAILER WITH A GROSS VEHICLE WEIGHT RATING OF FIFTY-FOUR THOUSAND POUNDS OR GREATER THAT IS DESIGNATED AS CLASS A PERSONAL PROPERTY AS SPECIFIED IN SECTION 42-3-106 (2)(a).

(b) (VIII) THIS SUBSECTION (1)(b) IS REPEALED, EFFECTIVE DECEMBER 31, 2026.

(2) (c) (I) For income tax years commencing on or after January 1, 2014, except as provided in sections 24-46-104.3 and 24-46-108 and subsection (2)(c)(II) of this section, the amount OF THE CREDIT SET FORTH IN SUBSECTION (1) OF THIS SECTION that may be claimed by a taxpayer for an income tax year and that is not applied or refunded under section 24-46-108 is limited to the lesser of:

(2.6) (a) Except as provided in section 24-46-104.3 and subsection (2.6)(b) of this section and notwithstanding any other provision in this section, in each income tax year commencing on or after January 1, 2015, but before January 1, 2021, AND IN EACH INCOME TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2027, a taxpayer who places a new renewable energy investment in service on or after January 1, 2015, but before January 1, 2021, OR WHO PLACES A NEW RENEWABLE ENERGY INVESTMENT IN SERVICE ON OR AFTER JANUARY 1, 2027, that results in a credit pursuant to subsection (1) of this section may elect to receive a refund of eighty percent of the amount of such credit as specified in this subsection (2.6)(a) and forego the remaining twenty percent as a cost of such election. If eighty percent of the amount of the credit in subsection (1) of this section is:

(4) (c) IF THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SUBSECTION (1) OF THIS SECTION EXCEEDS THE AMOUNT OF INCOME TAXES OTHERWISE DUE ON THE INCOME OF THE TAXPAYER IN THE INCOME TAX YEAR FOR WHICH THE CREDIT IS CLAIMED, THE AMOUNT OF THE CREDIT NOT USED AS AN OFFSET AGAINST INCOME TAXES IN THE CURRENT INCOME TAX YEAR MAY BE CARRIED FORWARD AND USED AS A CREDIT AGAINST INCOME TAX LIABILITY IN SUBSEQUENT YEARS FOR A PERIOD NOT TO EXCEED FOURTEEN YEARS AND MUST BE APPLIED FIRST TO THE EARLIEST POSSIBLE INCOME TAX YEAR. ANY CREDIT REMAINING AFTER THAT PERIOD IS NOT REFUNDED OR CREDITED TO THE TAXPAYER.

(8) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES ANY BILL THAT EXTENDS AN EXPIRING TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION,

THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE PURPOSE OF THE TAX CREDIT PROVIDED IN SUBSECTION (1) OF THIS SECTION IS TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS BY CONTINUING TO SUPPORT THE DEVELOPMENT OF NEW RENEWABLE ENERGY INVESTMENTS IN ENTERPRISE ZONES. THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THIS PURPOSE BASED ON THE NUMBER AND VALUE OF CREDITS ISSUED AND NEW RENEWABLE ENERGY INVESTMENTS IN ENTERPRISE ZONES.

**SECTION 31.** In Colorado Revised Statutes, 39-30-105.1, **amend** (1)(b) as follows:

**39-30-105.1. Credit for new enterprise zone business employees - definitions.**

(1) (b) (I) EXCEPT AS PROVIDED IN SUBSECTION (1)(b)(II) OF THIS SECTION, in addition to the credit available under ~~paragraph (a) of this subsection~~ SUBSECTION (1)(a) OF THIS SECTION, for any income tax year commencing on or after January 1, 2014, a taxpayer qualified under ~~said paragraph (a)~~ SUBSECTION (1)(a) OF THIS SECTION is allowed for ~~the first two~~ ANY TWO OF THE FIRST TEN full income tax years while located in an enterprise zone a credit in an amount equal to one thousand dollars for each business facility employee who is insured under a health insurance plan or program provided through ~~his or her~~ THE EMPLOYEE'S employer. To be eligible for the credit, the employer must contribute fifty percent or more of the total cost of a health insurance plan or program, and such plan or program must be in accordance with the provisions of article 8 of title 10 or part 1, 2, 3, or 4 of article 16 of title 10, ~~C.R.S.~~; or be a self-insurance program and include partial or complete coverage for hospital and physician services.

(II) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, A TAXPAYER THAT HAS FIFTY OR MORE BUSINESS FACILITY EMPLOYEES AT ANY TIME DURING AN INCOME TAX YEAR SHALL NOT CLAIM THE CREDIT PROVIDED FOR IN THIS SUBSECTION (1)(b) FOR THAT TAX YEAR.

**SECTION 32.** In Colorado Revised Statutes, 39-30-105.5, **amend** (1) introductory portion; and **add** (1)(c) and (1.5) as follows:

**39-30-105.5. Credit against Colorado income taxes based on expenditures for research and experimental activities - repeal.**

(1) FOR INCOME TAX YEARS BEGINNING BEFORE JANUARY 1, 2027, any taxpayer who makes expenditures in research and experimental activities, as defined in section 174 of the federal "Internal Revenue Code of 1986", as amended, which activities are conducted in an enterprise zone for the purpose of carrying out a trade or business, shall be allowed a credit against the income tax imposed by article 22 of this ~~title~~ TITLE 39 as follows:

(c) THIS SUBSECTION (1) IS REPEALED, EFFECTIVE DECEMBER 31, 2033.

(1.5) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, ANY TAXPAYER WHO MAKES AT LEAST ONE HUNDRED FIFTY THOUSAND DOLLARS IN EXPENDITURES IN RESEARCH AND EXPERIMENTAL ACTIVITIES, AS DEFINED IN

SECTION 174A OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986", AS AMENDED, WHICH ACTIVITIES ARE CONDUCTED IN AN ENTERPRISE ZONE FOR THE PURPOSE OF CARRYING OUT A TRADE OR BUSINESS, SHALL BE ALLOWED A CREDIT AGAINST THE INCOME TAX IMPOSED BY ARTICLE 22 OF THIS TITLE 39 IN AN AMOUNT EQUAL TO THREE PERCENT OF THE AMOUNT BY WHICH THE AMOUNT THAT THE TAXPAYER EXPENDED FOR RESEARCH AND EXPERIMENTAL ACTIVITIES IN THE ENTERPRISE ZONE IN THE INCOME TAX YEAR EXCEEDS THE AVERAGE OF THE TAXPAYER'S TOTAL EXPENDITURES FOR RESEARCH AND EXPERIMENTAL ACTIVITIES IN THE IMMEDIATELY PRECEDING TWO INCOME TAX YEARS IN THE AREA THAT COMPROMISED THE RELEVANT ENTERPRISE ZONE.

**SECTION 33.** In Colorado Revised Statutes, 39-30-105.6, **amend** (1) as follows:

**39-30-105.6. Credit against tax - rehabilitation of vacant buildings - repeal.**

(1) (a) (I) For income tax years commencing on or after January 1, 1989, BUT BEFORE JANUARY 1, 2027, any taxpayer who is the owner or tenant of a building ~~which~~ THAT is located in an enterprise zone, which is at least twenty years old, and which has been unoccupied for at least two years and who makes qualified expenditures for the purpose of rehabilitating said building shall be allowed a credit against the income tax imposed by article 22 of this ~~title~~ TITLE 39 in an amount equal to twenty-five percent of the aggregate qualified expenditures per building or fifty thousand dollars per building, whichever is less.

(II) THIS SUBSECTION (1)(a) IS REPEALED, EFFECTIVE DECEMBER 31, 2033.

(b) FOR INCOME TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2027, ANY TAXPAYER WHO IS THE OWNER OR TENANT OF A BUILDING THAT IS LOCATED IN AN ENTERPRISE ZONE, IS AT LEAST TWENTY YEARS OLD, AND HAS BEEN UNOCCUPIED FOR ANY ONE HUNDRED THIRTY-FIVE CALENDAR DAYS WITHIN THE ONE HUNDRED EIGHTY CALENDAR DAYS PRECEDING THE DATE THAT THE TAXPAYER PLACES A REHABILITATION IN SERVICE AND WHO MAKES QUALIFIED EXPENDITURES FOR THE PURPOSE OF REHABILITATING SAID BUILDING SHALL BE ALLOWED A CREDIT AGAINST THE INCOME TAX IMPOSED BY ARTICLE 22 OF THIS TITLE 39 IN AN AMOUNT EQUAL TO TWENTY-FIVE PERCENT OF THE AGGREGATE QUALIFIED EXPENDITURES PER BUILDING OR TWO HUNDRED THOUSAND DOLLARS PER BUILDING, WHICHEVER IS LESS.

**SECTION 34.** In Colorado Revised Statutes, 39-22-123.5, **amend** (3.5)(b)(I) and (3.5)(c) introductory portion; and **add** (2.7)(d) as follows:

**39-22-123.5. Earned income tax credit - legislative declaration - repeal.**

(2.7) (d) (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2028, A RESIDENT INDIVIDUAL IS ALLOWED AN EARNED INCOME TAX CREDIT AGAINST THE TAXES DUE UNDER THIS ARTICLE 22 THAT IS EQUAL TO THE APPLICABLE PERCENTAGE, SET FORTH IN SUBSECTION (2.7)(d)(II) OF THIS SECTION, OF THE FEDERAL CREDIT THAT THE RESIDENT INDIVIDUAL WOULD HAVE BEEN ALLOWED UNDER SECTION 32 (n)(2) OF THE INTERNAL REVENUE CODE, NOTWITHSTANDING THE DATE LIMITATION SET FORTH IN SECTION 32(n) OF THE INTERNAL REVENUE CODE AS SPECIFIED IN SECTION 9621 (a) OF THE "AMERICAN RESCUE PLAN ACT OF 2021", PUB.L. 117-2.

(II) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3.5) OF THIS SECTION, THE PERCENTAGE USED TO CALCULATE THE AMOUNT OF CREDIT THAT CAN BE CLAIMED PURSUANT TO SUBSECTION (2.7)(d)(I) OF THIS SECTION IS TWENTY-FIVE PERCENT.

(3.5) (b) (I) For the income tax year commencing on January 1, 2025, the percentage of the federal earned income tax credit that the resident individual claimed or could have claimed that is used to calculate the amount of earned income tax credit allowed pursuant to subsections (2)(d), (2.5)(e), ~~and~~ (2.7)(c), AND (2.7)(d) of this section is increased by fifteen percentage points if the estimated adjustment factor is equal to or greater than two percent.

(c) For income tax years commencing on or after January 1, 2026, the percentage of the federal earned income tax credit that the resident individual claimed or could have claimed that is used to calculate the amount of earned income tax credit allowed pursuant to subsections (2)(d), (2.5)(e), ~~and~~ (2.7)(c), AND (2.7)(d) of this section is increased as follows if the estimated adjustment factor is as follows:

**SECTION 35.** In Colorado Revised Statutes, 39-22-303, **amend** (12)(b)(I) and (12)(b)(II); and **add** (12)(b)(III) and (16) as follows:

**39-22-303. Dividends in a combined report - foreign source income - affiliated groups - definitions - rules - repeal.**

(12) As used in this section, unless the context otherwise requires:

(b) "Listed jurisdiction" means:

(I) For income tax years commencing before January 1, 2026, Andorra, Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Bahrain, Barbados, Belize, Bermuda, Bonaire, British Virgin Islands, Cayman Islands, Cook Islands, Curaçao, Cyprus, Dominica, Gibraltar, Grenada, Guernsey-Sark-Alderney, Isle of Man, Jersey, Liberia, Luxembourg, Malta, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Niue, Panama, Saba, Samoa, San Marino, Seychelles, Sint Eustatius, Sint Maarten, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Turks and Caicos Islands, U.S. Virgin Islands, and Vanuatu; ~~and~~

(II) For income tax years commencing on or after January 1, 2026, BUT BEFORE JANUARY 1, 2027, the jurisdictions listed in subsection (12)(b)(I) of this section and Hong Kong, Republic of Ireland, Liechtenstein, Netherlands, and Singapore; AND

(III) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE JURISDICTIONS LISTED IN SUBSECTION (12)(b)(I) OF THIS SECTION AND HONG KONG, REPUBLIC OF IRELAND, NETHERLANDS, AND SINGAPORE.

(16) (a) DURING THE STATE FISCAL YEAR BEGINNING JULY 1, 2027, AND EVERY FOURTH STATE FISCAL YEAR THEREAFTER, THE DEPARTMENT SHALL ENGAGE A CONTRACTOR TO EXAMINE WHETHER A COUNTRY THAT IS IDENTIFIED AS A LISTED JURISDICTION SHOULD REMAIN A LISTED JURISDICTION.

(b) THE DEPARTMENT SHALL REQUIRE THE CONTRACTOR TO EXAMINE EACH LISTED JURISDICTION AND TO MAKE RECOMMENDATIONS ABOUT THE STATUS OF A

LISTED JURISDICTION IN A WRITTEN REPORT SUBMITTED TO THE EXECUTIVE COMMITTEE OF THE LEGISLATIVE COUNCIL AND THE GOVERNOR NO LATER THAN ONE HUNDRED EIGHTY CALENDAR DAYS AFTER THE EFFECTIVE DATE OF THE CONTRACT ENGAGING THE CONTRACTOR TO CONDUCT THE STUDY.

(c) WHEN EXAMINING A LISTED JURISDICTION, THE DEPARTMENT SHALL REQUIRE THE CONTRACTOR TO RECOMMEND WHETHER A LISTED JURISDICTION SHOULD CONTINUE TO BE A LISTED JURISDICTION BASED ON WHETHER THE LISTED JURISDICTION:

(I) ASSESSES A CORPORATE TAX RATE OF LESS THAN FIFTEEN PERCENT;

(II) ALLOWS TAX DEDUCTIONS, INCENTIVES, OR CREDITS THAT LOWER EFFECTIVE TAX RATES ARTIFICIALLY, WITH SPECIAL CONSIDERATION GIVEN TO INTELLECTUAL PROPERTY AND FOREIGN-SOURCE ROYALTIES;

(III) TARGETS PROFIT-SHIFTING OF FOREIGN-CONTROLLED CORPORATIONS;

(IV) LACKS TRANSPARENCY AND DOES NOT ENGAGE IN DATA SHARING OR COOPERATE WITH OTHER COUNTRIES' REVENUE AGENCIES DURING AUDITS AND INVESTIGATIONS OR DOES NOT PARTICIPATE IN COUNTRY-BY-COUNTRY REPORTING;

(V) DOES NOT REQUIRE A CORPORATION TO ENGAGE IN SUBSTANTIAL ACTIVITY OR DELIVER ECONOMIC SUBSTANCE IN THE LISTED JURISDICTION IN ORDER TO BE INCORPORATED IN THAT JURISDICTION;

(VI) DOES NOT MAINTAIN A BENEFICIAL OWNERSHIP REGISTRY OR DOES NOT PROVIDE THE PUBLIC WITH ACCESS TO COMPANY INFORMATION;

(VII) ALLOWS HYBRID-MISMATCH RELATIONSHIPS;

(VIII) ALLOWS OVERLY LENIENT TRANSFER PRICING;

(IX) ALLOWS INCOME-SHIFTING BETWEEN CORPORATE AFFILIATES OR OTHER INDICATORS OF PROFIT-SHIFTING;

(X) HAS NOT UNDERTAKEN REFORMS TO ADDRESS ALLEGATIONS THAT IT IS A TAX HAVEN AND THAT IT SHOULD NOT BE A LISTED JURISDICTION;

(XI) PROVIDES CERTAIN TAX OR OTHER BENEFITS EXCLUSIVELY FOR FOREIGN FIRMS AND NOT TO DOMESTIC ENTITIES;

(XII) ENGAGES IN OTHER TAX EVASION INDICATORS; OR

(XIII) ISSUES CORPORATE PROFIT OR FOREIGN DIRECT INVESTMENT STATISTICS THAT ARE SIGNIFICANTLY OUT OF PROPORTION TO LOCAL ECONOMIC DEVELOPMENT OR THE LOCAL WORKFORCE.

(d) A COUNTRY MAY SUBMIT TO THE CONTRACTOR OR THE DEPARTMENT INFORMATION ABOUT INTERNATIONAL TAX REFORM AND EVOLVING BEST PRACTICES.

(e) THE CONTRACTOR MAY RECOMMEND THAT A COUNTRY BE DEEMED A LISTED JURISDICTION OR RECOMMEND THAT A COUNTRY NO LONGER BE A LISTED JURISDICTION.

**SECTION 36.** In Colorado Revised Statutes, 42-1-225, **amend** (1)(c) and (2)(c); and **add** (3) and (4) as follows:

**42-1-225. Commercial vehicle enterprise tax fund - creation - repeal.**

(1) (c) On or after July 1, 2025, BUT BEFORE JULY 1, 2027, the fund consists of money collected and transmitted to the fund pursuant to section 42-4-1701 (4)(a)(II). The general assembly shall annually appropriate the money in the fund to cover the actual cost of administering section 39-30-104 (1)(b). After receiving the statement pursuant to section 39-30-104 (1)(b)(VI), the state treasurer shall credit the total cost of the amount of the tax credits stated therein to the general fund. Any money remaining in the commercial vehicle enterprise tax fund at the end of the STATE fiscal year shall not revert to the general fund, EXCEPT AS PROVIDED IN SUBSECTION (3) OF THIS SECTION.

(2) (c) On July 1, 2025, and ~~each July 1 thereafter~~ ON JULY 1, 2026, the department shall allocate the fund balance, not including the amount appropriated to cover the actual cost of administering section 39-30-104 (1)(b), to offset the income tax credit granted in section 39-30-104 (1)(b).

(3) ON JULY 1, 2027, THE STATE TREASURER SHALL TRANSFER ALL OF THE MONEY IN THE FUND TO THE COLORADO ECONOMIC DEVELOPMENT FUND, CREATED IN SECTION 24-46-105 (1)(a).

(4) THIS SECTION 42-1-225 IS REPEALED, EFFECTIVE JULY 1, 2031.

**SECTION 37.** In Colorado Revised Statutes, 42-4-1701, **amend** (4)(a)(II)(B) as follows:

**42-4-1701. Traffic offenses and infractions classified - penalties - penalty and surcharge schedule - repeal.**

(4) (a) (II) (B) The state, county, city, or city and county issuing a citation that results in the assessment of the penalties in ~~sub-subparagraph (A) of this subparagraph (II)~~ SUBSECTION (4)(a)(II)(A) OF THIS SECTION may retain and distribute the following amount of the penalty according to the law of the jurisdiction that assesses the penalty, but BEFORE JULY 1, 2027, the remainder of the penalty shall be transmitted to the state treasurer, who shall credit the ~~moneys~~ MONEY to the commercial vehicle enterprise tax fund created in section 42-1-225, AND ON OR AFTER JULY 1, 2027, TO THE GENERAL FUND:

**SECTION 38.** In Colorado Revised Statutes, 39-22-546, **amend** (3)(a) and (7) as follows:

**39-22-546. Credit against tax - residential energy storage systems - tax preference performance statement - legislative declaration - definition - repeal.**

(3) (a) For income tax years commencing on or after January 1, 2023, but before ~~January 1, 2027~~ JANUARY 1, 2030, any purchaser that installs an energy storage system in a residential dwelling in this state is allowed a credit against the tax imposed by this article 22 in an amount equal to ten percent of the purchase price paid by the purchaser for the energy storage system.

(7) This section is repealed, effective ~~January 1, 2030~~ JANUARY 1, 2033.

**SECTION 39.** In Colorado Revised Statutes, 39-22-571, **amend** (3)(a) as follows:

**39-22-571. Film festival incentive tax credit - tax preference performance statement - legislative declaration - definitions - repeal.**

(3) (a) Subject to subsection (3)(e) of this section, for tax years commencing on or after ~~January 1, 2027~~ JANUARY 1, 2026, but before ~~January 1, 2037~~ JANUARY 1, 2036, there is allowed a credit with respect to income taxes imposed pursuant to this article 22 to any global film festival entity or existing or small Colorado film festival entity that receives a tax credit certificate pursuant to this section in the amount of the tax credit certificate.

**SECTION 40. Appropriation - adjustments to 2026 long bill.** (1) Except as provided in subsection (3) of this section, to implement this act, appropriations made in the annual general appropriation act for the 2026-27 state fiscal year to the department of health care policy and financing are adjusted as follows:

(a) The general fund appropriation for medical and long-term care services for Medicaid eligible individuals is decreased by \$52,560, which is subject to the "(M)" notation as defined in the annual general appropriation act for the same fiscal year;

(b) The appropriation for medical and long-term care services for Medicaid eligible individuals is increased by \$52,560 cash funds, which consists of \$50,900 from the health care expansion fund created in section 24-22-117 (2)(a)(I), C.R.S., and \$1,660 from the tobacco tax cash fund created in section 24-22-117 (1)(a), C.R.S.;

(c) The appropriation for the primary care fund program is increased by \$21,024, which is from the primary care fund created in section 24-22-117 (2)(b)(I), C.R.S.;

(d) The general fund appropriation for the children's basic health plan medical and dental costs is decreased by \$332.; and

(e) The appropriation for the children's basic health medical and dental costs is increased by \$332, which is from the children's basic health plan trust fund created in section 25.5-8-105 (1), C.R.S.

(2) For the 2026-27 state fiscal year, the general assembly anticipates that the department of health care policy and financing will receive \$20,710 in federal funds for the primary care fund program to implement this act, which amount is subject to the "(I)" notation as defined in the annual general appropriation act for the same

fiscal year. The appropriation in subsection (1)(c) of this section is based on the assumption that the department will receive this amount of federal funds.

(3) Subsection (1) of this section does not require a reduction of an appropriation in the annual general appropriation act for the 2026-27 state fiscal year for the department of health care policy and financing if:

(a) The amount of the general fund appropriation for medical and long-term care services for Medicaid eligible individuals is less than the amount of the adjustment required in subsection (1)(a) of this section;

(b) The amount of the general fund appropriation for the children's basic health plan medical and dental costs is less than the amount of the adjustment required in subsection (1)(c) of this section; or

(c) The annual general appropriation act for the 2026-27 state fiscal year does not include an appropriation to the department of health care policy and financing.

**SECTION 41. Appropriation.** (1) For the 2026-27 state fiscal year, \$38,432 is appropriated to the department of revenue. This appropriation is from the general fund. To implement this act, the department may use this appropriation as follows:

(a) \$15,140 for tax administration IT system (GenTax) support;

(b) \$13,616 to the taxation business group for personal services related to taxation services; and

(c) \$9,676 to the executive director's office for personal services related to administration and support.

(2) For the 2026-27 state fiscal year, \$25,000 is appropriated to the office of the governor for use by economic development programs. This appropriation is from the general fund. To implement this act, the office may use this appropriation for administration.

(3) For the 2026-27 state fiscal year, \$996,276 is appropriated to the department of early childhood. This appropriation is from the preschool programs cash fund created in section 26.5-4-209 (1)(a), C.R.S. To implement this act, the department may use this appropriation for universal preschool program.

(4) For the 2026-27 state fiscal year, \$35,741 is appropriated to the department of public health and environment. This appropriation consists of \$17,704 from the tobacco education programs fund created in section 24-22-117 (2)(c)(I), C.R.S., \$17,704 from the prevention, early detection, and treatment fund created in section 24-22-117 (2)(d)(I), C.R.S., and \$333 from the tobacco tax cash fund created in section 24-22-117 (1)(a), C.R.S. To implement this act, the department may use this appropriation as follows:

(a) \$17,704 from the tobacco education programs fund for tobacco education, prevention, and cessation program administration;

(b) \$17,704 from the prevention, early detection, and treatment fund for cancer, cardiovascular disease, and chronic pulmonary disease grants; and

(c) \$333 from the tobacco tax cash fund for appropriation from the tobacco tax cash fund to the general fund.

(5) For the 2026-27 state fiscal year, \$333 is appropriated to the department of public health and environment. This appropriation is from the general fund exempt account created in section 24-77-103.6 (2), C.R.S. To implement this act, the department may use this appropriation for immunization operating expenses.

**SECTION 42. Effective date.** This act takes effect upon passage; except that section 40 of this act takes effect only if the annual general appropriation act for the 2026-27 state fiscal year becomes law, in which case section 40 takes effect upon the effective date of this act or of the annual general appropriation act for state fiscal year 2026-27, whichever is later.

**SECTION 43. Safety clause.** The general assembly finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety or for appropriations for the support and maintenance of the departments of the state and state institutions.

Approved: June 3, 2026