

SENATE COMMITTEE OF REFERENCE REPORT

Chair of Committee

Date

March 2, 2022

Committee on Finance.

After consideration on the merits, the Committee recommends the following:

SB22-051 be amended as follows, and as so amended, be referred to the Committee on Appropriations with favorable recommendation:

- 1 Amend the Transportation & Energy Committee Report, dated February
2 8, 2022, page 1, line 6, strike "**air-source and ground-source**".
- 3 Page 1 of the committee report, line 19, strike "AIR-SOURCE AND
4 GROUND-SOURCE".
- 5 Page 1 of the committee report, lines 22 and 23, strike "AIR-SOURCE AND
6 GROUND-SOURCE".
- 7 Page 1 of the committee report, line 25, strike "THOSE".
- 8 Page 2 of the committee report, line 1, strike "AIR-SOURCE AND
9 GROUND-SOURCE".
- 10 Page 2 of the committee report, line 3, strike "BUSINESSES," and substitute
11 "BUSINESSES".
- 12 Page 2 of the committee report, strike lines 5 and 6 and substitute "AND
13 TAKE ADVANTAGE OF LATENT HEAT SOURCES AND AVAILABLE RENEWABLE
14 POWER DURING LOW DEMAND PERIODS."
- 15 Page 2 of the committee report, lines 14 and 15, strike "AIR-SOURCE AND
16 GROUND-SOURCE".
- 17 Page 2 of the committee report, line 22, strike "AIR-SOURCE AND
18 GROUND-SOURCE".
- 19 Page 2 of the committee report, strike lines 33 through 43.

1 Page 3 of the committee report, strike lines 1 through 14 and substitute:

2 "(c) "HEAT PUMP SYSTEM" MEANS AN AIR-SOURCE HEAT PUMP
3 SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT
4 PUMP SYSTEM, OR VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM.

5 (d) "HEAT PUMP WATER HEATER" HAS THE SAME MEANING SET
6 FORTH IN SECTION 39-26-731 (2)(b).

7 (e) "PURCHASER" MEANS A TAXPAYER WHO IS THE BUYER OF A
8 HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER.

9 (f) "SELLER" MEANS THE ENTITY THAT SELLS A HEAT PUMP SYSTEM
10 OR HEAT PUMP WATER HEATER TO A PURCHASER.

11 (g) "WATER-SOURCE HEAT PUMP SYSTEM" HAS THE SAME
12 MEANING SET FORTH IN SECTION 39-26-731 (2)(e).

13 (h) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" HAS THE
14 SAME MEANING SET FORTH IN SECTION 39-26-731 (2)(f).

15 (3) (a) SUBJECT TO THE PROVISIONS OF SUBSECTION (4) OF THIS
16 SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
17 1, 2023, BUT BEFORE JANUARY 1, 2033, ANY PURCHASER THAT INSTALLS
18 A RESIDENTIAL OR COMMERCIAL HEAT PUMP SYSTEM OR THAT INSTALLS
19 A RESIDENTIAL OR COMMERCIAL HEAT PUMP WATER HEATER IS ALLOWED
20 A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT
21 EQUAL TO TEN PERCENT OF THE PURCHASE PRICE OF THE HEAT PUMP
22 SYSTEM OR HEAT PUMP WATER HEATER.

23 (b) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE
24 INCOME TAX YEAR IN WHICH THE HEAT PUMP SYSTEM OR HEAT PUMP
25 WATER HEATER IS PURCHASED.

26 (4) (a) (I) TO BE ELIGIBLE TO CLAIM A TAX CREDIT PURSUANT TO
27 THIS SECTION, THE PURCHASER SHALL CERTIFY, AS SPECIFIED IN
28 SUBSECTION (4)(b) OF THIS SECTION, THAT ALL NECESSARY MECHANICAL,
29 PLUMBING, AND ELECTRICAL WORK PERFORMED IN CONNECTION WITH THE
30 INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER IN
31 A NEW OR EXISTING INDUSTRIAL, COMMERCIAL, OR MULTIFAMILY
32 RESIDENTIAL BUILDING CONTAINING TWENTY THOUSAND SQUARE FEET OR
33 MORE OF CONDITIONED FLOOR SPACE WAS OR WILL BE PERFORMED BY A
34 CONTRACTOR ON THE CERTIFIED CONTRACTOR LIST CREATED PURSUANT
35 TO SECTION 40-3.2-105.6 (3)(a), OR BY EMPLOYEES OF A UTILITY, SUBJECT
36 TO STATE LICENSING REQUIREMENTS AND ALL APPLICABLE STATE AND
37 LOCAL RULES, CODES, AND STANDARDS.

38 (II) THE REQUIREMENTS OF THIS SUBSECTION (4)(a) DO NOT APPLY
39 TO THE INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER
40 HEATHER THAT IS LIMITED TO IN-UNIT WORK IN A MULTIFAMILY BUILDING
41 OR UNIT AND THAT IS INITIATED BY THE OWNER OR TENANT OF THE

1 MULTIFAMILY BUILDING OR UNIT.

2 (b) THE PURCHASER SHALL CERTIFY, IN A FORM AND MANNER TO
3 BE DETERMINED BY THE DEPARTMENT OF REVENUE, THAT THE HEAT PUMP
4 SYSTEM OR HEAT PUMP WATER HEATER WAS OR WILL BE INSTALLED IN
5 ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (4)(a) OF THIS
6 SECTION, IF APPLICABLE. THE SELLER SHALL PROVIDE THE CERTIFICATION
7 TO THE TAXPAYER FOR THE PURPOSES OF SUBSECTION (5) OF THIS SECTION.

8 (5) (a) A PURCHASER SHALL ASSIGN THE TAX CREDIT ALLOWED IN
9 THIS SECTION TO THE PURCHASER'S SELLER AS FOLLOWS:

10 (I) THE ASSIGNMENT TO THE SELLER MUST BE COMPLETED AT THE
11 TIME OF PURCHASE OF A NEW HEAT PUMP SYSTEM OR HEAT PUMP WATER
12 HEATER BY ENTERING INTO AN AGREEMENT AS SET FORTH IN SUBSECTION
13 (5)(c) OF THIS SECTION;

14 (II) THE PURCHASER MUST CERTIFY IN WRITING THAT THE
15 PURCHASER WILL COMPLY WITH THE PROVISIONS REGARDING
16 INSTALLATION OF THE HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER
17 SPECIFIED IN SUBSECTION (4) OF THIS SECTION, IF APPLICABLE;

18 (III) THE PURCHASER SHALL ASSIGN THE TAX CREDIT TO THE
19 SELLER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE
20 PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE
21 CONSIDERATION; AND

22 (IV) THE SELLER SHALL COMPENSATE THE PURCHASER FOR THE
23 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO
24 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT
25 STATE TAXABLE INCOME.

26 (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER
27 ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS SUBSECTION (5),
28 THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE
29 PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR
30 UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE
31 AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

32 (c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER
33 AND THE SELLER SHALL ENTER INTO AN AGREEMENT THAT:

34 (I) INCLUDES THE PURCHASER'S WRITTEN CERTIFICATION TO
35 COMPLY WITH THE PROVISIONS REGARDING INSTALLATION OF THE HEAT
36 PUMP SYSTEM OR HEAT PUMP WATER HEATER SPECIFIED IN SUBSECTION (4)
37 OF THIS SECTION, IF APPLICABLE; AND

38 (II) AFFIRMS THAT THE REQUIREMENTS SPECIFIED IN SUBSECTION
39 (5)(a) OF THIS SECTION WERE MET.

40 (d) THE SELLER MAY AUTHORIZE AN AGENT OR A DESIGNEE TO
41 SIGN THE AGREEMENT ON ITS BEHALF.

42 (e) THE SELLER SHALL ELECTRONICALLY SUBMIT A REPORT
43 CONTAINING THE INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED

1 IN SUBSECTION (5)(c) OF THIS SECTION TO THE DEPARTMENT OF REVENUE
2 WITHIN THIRTY DAYS OF THE PURCHASE OF A HEAT PUMP SYSTEM OR HEAT
3 PUMP WATER HEATER IN A FORM AND MANNER TO BE DETERMINED BY THE
4 DEPARTMENT.

5 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN
6 SUBSECTION (5)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR
7 THE TAXABLE YEAR IN WHICH THE HEAT PUMP SYSTEM OR HEAT PUMP
8 WATER HEATER IS PURCHASED.

9 (g) THE DEPARTMENT OF REVENUE, IN CONSULTATION WITH THE
10 COLORADO ENERGY OFFICE, SHALL DEVELOP A MODEL REPORT AND
11 AGREEMENT NO LATER THAN DECEMBER 1, 2022.

12 (6) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE
13 INCOME TAX DUE ON THE INCOME OF THE PURCHASER FOR THE TAXABLE
14 YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE
15 REFUNDABLE TO THE TAXPAYER AND PAID TO THE SELLER TO WHICH THE
16 TAXPAYER ASSIGNED THE CREDIT.

17 (7) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT
18 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME
19 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO
20 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX
21 ADVICE.

22 (8) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2035."

23 Page 3 of the committee report, strike lines 35 through 43.

24 Page 4 of the committee report, strike lines 1 through 12 and substitute:

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

27 (a) "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY
28 AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE
29 BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF
30 RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,
31 MECHANICAL, OR OTHER MEANS.

32 (b) "PURCHASER" MEANS A TAXPAYER WHO IS THE BUYER OF AN
33 ENERGY STORAGE SYSTEM.

34 (c) "SELLER" MEANS THE ENTITY THAT SELLS AN ENERGY STORAGE
35 SYSTEM.

36 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
37 JANUARY 1, 2023, BUT BEFORE JANUARY 1, 2033, ANY PURCHASER THAT
38 INSTALLS AN ENERGY STORAGE SYSTEM IN A RESIDENTIAL DWELLING IS
39 ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN
40 AMOUNT EQUAL TO TEN PERCENT OF THE PURCHASE PRICE OF THE ENERGY

1 STORAGE SYSTEM.

2 (b) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE
3 INCOME TAX YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS
4 PURCHASED.

5 (4)(a) A PURCHASER SHALL ASSIGN THE TAX CREDIT ALLOWED IN
6 THIS SECTION TO THE PURCHASER'S SELLER AS FOLLOWS:

7 (I) THE ASSIGNMENT TO THE SELLER MUST BE COMPLETED AT THE
8 TIME OF PURCHASE OF A NEW ENERGY STORAGE SYSTEM BY ENTERING
9 INTO AN AGREEMENT AS SET FORTH IN SUBSECTION (4)(c) OF THIS
10 SECTION;

11 (II) THE PURCHASER SHALL ASSIGN THE TAX CREDIT TO THE
12 SELLER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE
13 PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE
14 CONSIDERATION; AND

15 (III) THE SELLER SHALL COMPENSATE THE PURCHASER FOR THE
16 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO
17 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT
18 STATE TAXABLE INCOME.

19 (b) NOTWITHSTANDING SECTION 39-21-108 (3), IF A PURCHASER
20 ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS SUBSECTION (4),
21 THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX CREDIT THAT THE
22 PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID BALANCE OR
23 UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED FROM THE
24 AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

25 (c) TO COMPLETE THE TAX CREDIT ASSIGNMENT, THE PURCHASER
26 AND THE SELLER SHALL ENTER INTO AN AGREEMENT THAT AFFIRMS THAT
27 THE REQUIREMENTS SPECIFIED IN SUBSECTION (4)(a) OF THIS SECTION
28 WERE MET.

29 (d) THE SELLER MAY AUTHORIZE AN AGENT OR A DESIGNEE TO
30 SIGN THE AGREEMENT ON ITS BEHALF.

31 (e) THE SELLER SHALL ELECTRONICALLY SUBMIT A REPORT
32 CONTAINING THE INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED
33 IN SUBSECTION (4)(c) OF THIS SECTION TO THE DEPARTMENT OF REVENUE
34 WITHIN THIRTY DAYS OF THE PURCHASE OF AN ENERGY STORAGE SYSTEM
35 IN A FORM AND MANNER TO BE DETERMINED BY THE DEPARTMENT.

36 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN
37 SUBSECTION (4)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR
38 THE TAXABLE YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS
39 PURCHASED.

40 (g) THE DEPARTMENT OF REVENUE, IN CONSULTATION WITH THE
41 COLORADO ENERGY OFFICE, SHALL DEVELOP A MODEL REPORT AND
42 AGREEMENT NO LATER THAN DECEMBER 1, 2022.

43 (5) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE

1 INCOME TAX DUE ON THE INCOME OF THE PURCHASER FOR THE TAXABLE
2 YEAR, THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE
3 REFUNDABLE TO THE TAXPAYER AND PAID TO THE SELLER TO WHICH THE
4 TAXPAYER ASSIGNED THE CREDIT.

5 (6) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT
6 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME
7 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO
8 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX
9 ADVICE.

10 (7) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2035."

11 Page 4 of the committee report, strike lines 14 through 25 and substitute:

12 "Page 5, lines 17 and 18, strike "39-26-730 and 39-26-731" and substitute
13 "39-26-730, 39-26-731, and 39-26-732".

14 Page 8, line 10, strike "**Air-source and ground-source heat**" and
15 substitute "**Heat**".

16 Page 8, strike lines 23 and 24 and substitute "RESIDENTIAL BUILDINGS BY
17 INSTALLING HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS,
18 WHICH REDUCE NET GREENHOUSE".

19 Page 8, strike line 27 and substitute "HEAT PUMP SYSTEMS AND HEAT
20 PUMP WATER HEATERS WILL ENCOURAGE".

21 Page 9, strike lines 4 through 8 and substitute:

22 "(V) THE PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT
23 PUMP WATER HEATERS WILL BENEFIT PUBLIC HEALTH IN THE HEATING AND
24 COOLING OF HOMES AND BUSINESSES AND TAKE ADVANTAGE OF LATENT
25 HEAT SOURCES AND AVAILABLE RENEWABLE POWER DURING LOW DEMAND
26 PERIODS."

27 Page 9, line 8, strike "REDUCE" and substitute "MAKE USE OF".

28 Page 9, strike lines 16 and 17 and substitute "SPECIFICALLY THE
29 PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT PUMP WATER
30 HEATERS; AND".

31 Page 9, strike line 23 and substitute "NUMBER OF HEAT PUMP SYSTEMS
32 AND HEAT PUMP WATER HEATERS SOLD".

1 Page 5 of the committee report, line 20, strike "EIGHTHY" and substitute
2 "EIGHTY".

3 Page 5 of the committee report, after line 33 insert:

4 "(c) "HEAT PUMP SYSTEM" MEANS AN AIR-SOURCE HEAT PUMP
5 SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT
6 PUMP SYSTEM, OR VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM."

7 Reletter succeeding paragraph accordingly.

8 Page 5 of the committee report, line 35, strike "USING" and substitute
9 "THAT USES".

10 Page 5 of the committee report, strike lines 36 through 40 and substitute
11 "SURROUNDING AIR TO WATER IN A TANK AND THAT IS CERTIFIED
12 PURSUANT TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S
13 ENERGY STAR PROGRAM."

14 Page 6 of the committee report, strike line 4 and substitute "OPERATION
15 OF A HEAT PUMP WATER HEATER.

16 (e) (I) "WATER-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM
17 THAT:

18 (A) IS CERTIFIED TO THE INTERNATIONAL ORGANIZATION FOR
19 STANDARDIZATION'S LATEST STANDARDS;

20 (B) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR
21 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL
22 ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;

23 (C) CONFORMS TO ALL APPLICABLE MUNICIPAL, STATE, AND
24 FEDERAL CODES, STANDARDS, REGULATIONS, AND CERTIFICATIONS;

25 (D) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY
26 MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE
27 NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MG1-1993
28 PUBLICATION; AND

29 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
30 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM
31 REQUIREMENTS.

32 (II) "WATER-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL
33 FUEL SYSTEM SO LONG AS:

34 (A) THE WATER-SOURCE HEAT PUMP IS USED AS THE PRIMARY
35 SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT LEAST
36 EIGHTY PERCENT OF THE TOTAL ANNUAL HEATING FOR THE BUILDING;

37 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO

1 ALL CONDITIONED AREAS OF THE BUILDING;
2 (C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY
3 RATING OF NINETY PERCENT OR HIGHER;
4 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS
5 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND
6 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS WHO ARE TRAINED
7 IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.
8 (III) "WATER-SOURCE HEAT PUMP SYSTEM" INCLUDES
9 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION
10 OF A WATER-SOURCE HEAT PUMP.
11 (f) (I) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" MEANS
12 A SYSTEM THAT:
13 (A) IS CERTIFIED TO THE INTERNATIONAL ORGANIZATION FOR
14 STANDARDIZATION'S LATEST STANDARDS;
15 (B) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR
16 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL
17 ELECTRIC CODE AND MANUFACTURER'S SPECIFICATIONS;
18 (C) CONFORMS TO ALL APPLICABLE MUNICIPAL, STATE, AND
19 FEDERAL CODES, STANDARDS, REGULATIONS, AND CERTIFICATIONS;
20 (D) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY
21 MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE
22 NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MGI-1993
23 PUBLICATION; AND
24 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
25 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM
26 REQUIREMENTS.
27 (II) "VARIABLE REFRIGERANT FLOW SYSTEM" MAY INCLUDE A
28 DUAL FUEL SYSTEM SO LONG AS:
29 (A) THE VARIABLE REFRIGERANT FLOW SYSTEM IS USED AS THE
30 PRIMARY SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT
31 LEAST EIGHTY PERCENT OF THE TOTAL ANNUAL HEATING FOR THE
32 BUILDING;
33 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO
34 ALL CONDITIONED AREAS OF THE BUILDING;
35 (C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY
36 RATING OF NINETY PERCENT OR HIGHER;
37 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS
38 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND
39 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS WHO ARE TRAINED
40 IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.
41 (III) "VARIABLE REFRIGERANT FLOW SYSTEM" INCLUDES
42 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION
43 OF A VARIABLE REFRIGERANT FLOW SYSTEM."

1 Page 6 of the committee report, strike lines 5 through 7 and substitute:

2 "Page 11, strike lines 25 through 27 and substitute:

3 "(3) ON AND AFTER JANUARY 1, 2023, SUBJECT TO THE PROVISIONS
4 OF SUBSECTION (4) OF THIS SECTION, ALL SALES, STORAGE, AND USE OF
5 HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS THAT ARE USED IN
6 COMMERCIAL OR RESIDENTIAL".

7 Page 12, after line 2 insert:

8 "(4) (a) (I) TO BE ELIGIBLE FOR THE SALES AND USE TAX
9 EXEMPTION PURSUANT TO THIS SECTION, THE PURCHASER OF A HEAT PUMP
10 SYSTEM OR HEAT PUMP WATER HEATER SHALL CERTIFY, AS SPECIFIED IN
11 SUBSECTION (4)(b) OF THIS SECTION, THAT ALL NECESSARY MECHANICAL,
12 PLUMBING, AND ELECTRICAL WORK PERFORMED IN CONNECTION WITH THE
13 INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER IN
14 A NEW OR EXISTING INDUSTRIAL, COMMERCIAL, OR MULTIFAMILY
15 RESIDENTIAL BUILDING CONTAINING TWENTY THOUSAND SQUARE FEET OR
16 MORE OF CONDITIONED FLOOR SPACE WILL BE PERFORMED BY A
17 CONTRACTOR ON THE CERTIFIED CONTRACTOR LIST CREATED PURSUANT
18 TO SECTION 40-3.2-105.6(3)(a), OR BY EMPLOYEES OF A UTILITY, SUBJECT
19 TO STATE LICENSING REQUIREMENTS AND ALL APPLICABLE STATE AND
20 LOCAL RULES, CODES, AND STANDARDS.

21 (II) THE REQUIREMENTS OF THIS SUBSECTION (4)(a) DO NOT APPLY
22 TO THE INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER
23 HEATER THAT IS LIMITED TO IN-UNIT WORK IN A MULTIFAMILY BUILDING
24 OR UNIT AND THAT IS INITIATED BY THE OWNER OR TENANT OF THE
25 MULTIFAMILY BUILDING OR UNIT.

26 (b) THE PURCHASER SHALL CERTIFY, IN A FORM AND MANNER TO
27 BE DETERMINED BY THE DEPARTMENT OF REVENUE, THAT THE HEAT PUMP
28 SYSTEM OR HEAT PUMP WATER HEATER WILL BE INSTALLED IN
29 ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (4)(a) OF THIS
30 SECTION, IF APPLICABLE."

31 Renumber succeeding subsection accordingly.

32 Page 12, after line 3 insert:

33 **"39-26-732. Residential energy storage systems - tax**
34 **preference performance statement - legislative declaration -**
35 **definition - repeal.** (1) (a) IN ACCORDANCE WITH SECTION 39-21-304(1),
36 WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO

1 INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A
2 STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY
3 FINDS AND DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE
4 CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO:

5 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
6 SPECIFICALLY THE PURCHASE AND INSTALLATION OF RESIDENTIAL ENERGY
7 STORAGE SYSTEMS; AND

8 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE
9 GOALS.

10 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
11 MEASURE THE EFFECTIVENESS OF THE TAX EXEMPTION IN ACHIEVING THE
12 PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE
13 NUMBER OF RESIDENTIAL ENERGY STORAGE SYSTEMS SOLD AND USED IN
14 THE STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE THE STATE
15 AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD ASSIST THE
16 STATE AUDITOR'S MEASUREMENT.

17 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
18 REQUIRES, "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY
19 AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE
20 BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF
21 RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,
22 MECHANICAL, OR OTHER MEANS.

23 (3) ON AND AFTER JANUARY 1, 2023, ALL SALES, STORAGE, AND
24 USE OF ENERGY STORAGE SYSTEMS THAT ARE USED IN A RESIDENTIAL
25 DWELLING ARE EXEMPT FROM TAXATION UNDER PARTS 1 AND 2 OF THIS
26 ARTICLE 26.

27 (4) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2033."."

28 Page 6 of the committee report, line 11, strike "ON OR BEFORE".

29 Page 6 of the committee report, strike lines 12 through 14 and substitute
30 "AFTER JANUARY 1, 2023, AN INVESTOR-OWNED GAS UTILITY, AT ITS
31 DISCRETION, MAY APPLY TO THE COMMISSION FOR APPROVAL TO MEASURE
32 THE AMOUNT OF USE FOR BILLING PURPOSES IN EITHER FUEL COMMODITY
33 UNITS OR FOR ENERGY SERVICES PROVIDED. UPON RECEIPT OF THE
34 UTILITY'S APPLICATION, THE COMMISSION SHALL APPROVE, DENY, OR
35 MODIFY THE UTILITY'S APPLICATION FOR MEASUREMENT OF USE FOR
36 BILLING PURPOSES PURSUANT TO THIS SECTION."."

37 Page 6 of the committee report, strike lines 16 and 17 and substitute:

38 "Page 12, line 24, strike "AND".

1 Page 12, strike lines 25 through 27 and substitute:

2 "(R) THE EXEMPTION FOR SALES OF HEAT PUMP SYSTEMS AND
3 HEAT PUMP WATER HEATERS SET FORTH IN SECTION 39-26-731; AND

4 (S) THE EXEMPTION FOR SALES OF ENERGY STORAGE SYSTEMS SET
5 FORTH IN SECTION 39-26-732."."

** ** ** ** **