

**Second Regular Session
Seventy-second General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 20-0242.01 Pierce Lively x2059

HOUSE BILL 20-1025

HOUSE SPONSORSHIP

Benavidez and Snyder,

SENATE SPONSORSHIP

Court and Tate, Moreno

House Committees

Energy & Environment
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING MODIFICATIONS TO THE SALES TAX EXEMPTION FOR**
102 **CERTAIN ENERGY USES.**

Bill Summary

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

Tax Expenditure Evaluation Interim Study Committee. Under current law, the sales tax exemption for energy use exempts the sale and purchase of electricity, gas, fuel oil, steam, coal, coke, or nuclear fuel used in processing, manufacturing, mining, refining, irrigation, construction, telegraph, telephone, and radio communication, street and railroad transportation services, and all industrial uses, and newsprint and

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

printer's ink used by newspaper publisher and commercial printers from state sales tax. The bill modifies this sales exemption to only apply when the energy is used by a metered machine.

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

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) The sales tax exemption for energy use exempts the sale and
5 purchase of electricity, gas, fuel oil, steam, coal, coke, or nuclear fuel
6 used in processing, manufacturing, mining, refining, irrigation,
7 construction, telegraph, telephone, and radio communication, street and
8 railroad transportation services, and all industrial uses, and newsprint and
9 printer's ink used by newspaper publisher and commercial printers.

10 (b) Energy that does not directly contribute to one of the uses
11 enumerated in the exemption, such as energy used to heat or light break
12 rooms, office spaces, and sales rooms, does not qualify for the exemption.

13 (c) Because only certain energy qualifies for the sales tax
14 exemption, it is difficult for certain taxpayers to determine what energy
15 they use qualifies for the exemption and the exemption is open to fraud.

16 (d) (I) Moreover, there are unique burdens for the taxpayer and
17 energy provider in tracking and reporting this sales tax exemption.

18 (II) If a taxpayer's energy usage that qualifies for the exemption
19 is under 75% of the taxpayer's total energy use, the taxpayer must pay the
20 sales tax to their energy provider on the full amount of their energy
21 purchases and then apply for a refund from the department of revenue.

22 (III) If a taxpayer's energy usage that qualifies for the exemption
23 is 75% or more of their total energy use, the taxpayer can file a form with
24 their energy provider. If the taxpayer files this form, their energy provider

1 does not collect any sales tax from the taxpayer for the taxpayer's energy
2 purchases. The energy provider reports to the department of revenue the
3 amount of the taxpayer's energy purchases they exempted from sales tax.
4 If any of the taxpayer's energy use is not exempt from sales tax, the
5 taxpayer is responsible for remitting the nonexempt sales tax to the
6 department of revenue.

7 (IV) There is a separate process for restaurants that claim this
8 sales tax exemption. Restaurants with sales of food for immediate
9 consumption that exceed 25% of their total sales revenue can receive the
10 sales tax exemption for energy use for 55% of the sales tax they paid on
11 their energy purchases. Restaurants with sales of food for immediate
12 consumption that are 25% or less of their total sales revenue can claim the
13 sales tax exemption for energy use for an amount equivalent to 0.5% of
14 their total food sales.

15 (2) Therefore, it is the intent of the general assembly to simplify
16 the collection and administration of taxes for the state of Colorado and to
17 relieve taxpayers' confusion and vendors' administrative burdens by
18 amending tax expenditures where necessary.

19 **SECTION 2.** In Colorado Revised Statutes, 39-26-102, **amend**
20 (21)(a) as follows:

21 **39-26-102. Definitions.** As used in this article 26, unless the
22 context otherwise requires:

23 (21) (a) Sales and purchases of electricity, coal, gas, fuel oil,
24 steam, coke, or nuclear fuel, for use in processing, manufacturing,
25 mining, refining, irrigation, construction, telegraph, telephone, and radio
26 communication, street and railroad transportation services, and all
27 industrial uses, and newsprint and printer's ink for use by publishers of

1 newspapers and commercial printers shall be deemed to be wholesale
2 sales and shall be exempt from taxation under this part 1 SO LONG AS THE
3 ELECTRICITY, COAL, GAS, FUEL OIL, STEAM, COKE, OR NUCLEAR FUEL USED
4 IS MEASURED BY A METERING DEVICE OR IS MEASURED AND VERIFIED BY
5 A THIRD PARTY WHICH QUANTIFIES THE AMOUNT OF ELECTRICITY, COAL,
6 GAS, FUEL OIL, STEAM, COKE, OR NUCLEAR FUEL THAT IS USED FOR A
7 PURPOSE ENUMERATED IN THIS SECTION IN ACCORDANCE WITH RULES
8 PROMULGATED BY THE DEPARTMENT OF REVENUE.

9 **SECTION 3. Act subject to petition - effective date.** This act
10 takes effect October 1, 2020; except that, if a referendum petition is filed
11 pursuant to section 1 (3) of article V of the state constitution against this
12 act or an item, section, or part of this act within the ninety-day period
13 after final adjournment of the general assembly, then the act, item,
14 section, or part will not take effect unless approved by the people at the
15 general election to be held in November 2020 and, in such case, will take
16 effect on the date of the official declaration of the vote thereon by the
17 governor.