

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

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 22-0675.01 Nicole Myers x4326

SENATE BILL 22-051

SENATE SPONSORSHIP

Hansen,

HOUSE SPONSORSHIP

Sirota,

Senate Committees

Transportation & Energy
Finance
Appropriations

House Committees

A BILL FOR AN ACT

101 **CONCERNING POLICIES TO REDUCE EMISSIONS FROM THE BUILT**
102 **ENVIRONMENT.**

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>.)

The bill specifies that air-source and ground-source heat pump systems are household furnishings exempt from the levy and collection of property tax. The bill exempts air-source and ground-source heat pump systems from the definition of "fixtures" for property tax purposes.

Beginning July 1, 2024, the bill exempts from state sales and use tax all sales, storage, and use of eligible decarbonizing building materials.

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.

SENATE
Amended 2nd Reading
April 5, 2022

"Eligible decarbonizing building materials" are defined as building materials that have a maximum acceptable global warming potential as determined by the office of the state architect.

In addition, beginning January 1, 2023, the bill exempts from state sales and use tax all sales, storage, and use of air-source and ground-source heat pump systems that are used in commercial or residential buildings.

The bill specifies that a statutory town, city, or county may exempt the same items only by express inclusion of the exemption in its initial sales tax ordinance or resolution or by amendment thereto.

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

SECTION 1. In Colorado Revised Statutes, 24-92-117, **add (7)** as follows:

24-92-117. Maximum global warming potential for materials used in eligible projects - buildings - projects that are not roads, highways, or bridges - environmental product declaration - short title - report - definitions. (7) FOR PURPOSES OF THE SALES AND USE TAX EXEMPTION FOR ELIGIBLE DECARBONIZING BUILDING MATERIALS ALLOWED PURSUANT TO SECTION 39-26-730, ANY MANUFACTURER OF AN ELIGIBLE MATERIAL MAY SUBMIT THE ENVIRONMENTAL PRODUCT DECLARATION FOR THE ELIGIBLE MATERIAL TO THE OFFICE OF THE STATE ARCHITECT. THE OFFICE SHALL REVIEW THE ENVIRONMENTAL PRODUCT DECLARATION FOR ANY ELIGIBLE MATERIAL SUBMITTED TO THE OFFICE BY A MANUFACTURER, AND SHALL DETERMINE WHETHER THE MANUFACTURER'S ELIGIBLE MATERIAL IS WITHIN THE MAXIMUM ACCEPTABLE GLOBAL WARMING POTENTIAL FOR THAT MATERIAL AS DETERMINED BY THE OFFICE PURSUANT TO SUBSECTION (3) OF THIS SECTION. BEGINNING JANUARY 1, 2024, THE OFFICE SHALL COMPILE AND MAINTAIN A LIST OF ALL ELIGIBLE MATERIALS AND THE MANUFACTURERS OF THE ELIGIBLE MATERIALS THAT ARE SUBMITTED TO THE OFFICE AND VERIFIED BY THE OFFICE TO BE WITHIN

1 THE MAXIMUM ACCEPTABLE GLOBAL WARMING POTENTIAL FOR THAT
2 MATERIAL AS DETERMINED BY THE OFFICE PURSUANT TO SUBSECTION (3)
3 OF THIS SECTION. IN COMPILING THE LIST, THE OFFICE SHALL CONSULT
4 WITH THE DEPARTMENT OF REVENUE TO ENSURE THAT ALL INFORMATION
5 REQUIRED FOR PURPOSES OF THE SALES AND USE TAX EXEMPTION
6 ALLOWED PURSUANT TO SECTION 39-26-730 IS INCLUDED ON THE LIST.
7 THE OFFICE SHALL REGULARLY UPDATE THE LIST, POST THE MOST
8 CURRENT VERSION OF THE LIST ON THE OFFICE'S WEBSITE, AND ENSURE
9 THAT THE LIST IS AVAILABLE TO THE DEPARTMENT OF REVENUE.

10 SECTION 2. In Colorado Revised Statutes, add
11 39-22-543 and 39-22-544 as follows:

12 39-22-543. Credit against tax - heat pump systems - heat
13 pump water heaters - tax preference performance statement -
14 legislative declaration - definitions - repeal. (1) (a) THE GENERAL
15 ASSEMBLY HEREBY FINDS AND DECLARES THAT:

16 (I) THE GENERAL ASSEMBLY HAS COMMITTED TO REDUCE
17 GREENHOUSE GASES THROUGH NUMEROUS POLICY AND REGULATORY
18 MEASURES TO MEET THE GOALS ESTABLISHED IN 2019;

19 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED IN THE
20 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR
21 RESIDENTIAL BUILDINGS;

22 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND
23 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS
24 GENERATED IN THE HEATING AND COOLING OF RESIDENTIAL BUILDINGS BY
25 INSTALLING HEAT PUMP SYSTEMS OR HEAT PUMP WATER HEATERS,
26 WHICH REDUCE NET GREENHOUSE GAS EMISSIONS;

27 (IV) PROVIDING AN INCOME TAX CREDIT FOR HEAT PUMP

1 SYSTEMS AND HEAT PUMP WATER HEATERS WILL ENCOURAGE BUSINESSES
2 AND INDIVIDUALS TO PURCHASE AND USE ___ HEAT PUMP SYSTEMS AND
3 HEAT PUMP WATER HEATERS RATHER THAN TRADITIONAL HEATING AND
4 COOLING METHODS; AND

5 (V) THE PURCHASE AND USE OF ___ HEAT PUMP SYSTEMS AND HEAT
6 PUMP WATER HEATERS WILL BENEFIT PUBLIC HEALTH IN THE HEATING AND
7 COOLING OF HOMES AND BUSINESSES ___ AND TAKE ADVANTAGE OF
8 LATENT HEAT SOURCES AND AVAILABLE RENEWABLE POWER DURING LOW
9 DEMAND PERIODS.

10 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
11 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
12 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
13 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND
14 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN
15 SUBSECTION (3) OF THIS SECTION ARE TO:

16 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
17 SPECIFICALLY THE PURCHASE AND USE OF ___ HEAT PUMP SYSTEMS AND
18 HEAT PUMP WATER HEATERS; AND

19 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE
20 GOALS.

21 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
22 MEASURE THE EFFECTIVENESS OF THE TAX CREDITS IN ACHIEVING THE
23 PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE
24 NUMBER OF ___ HEAT PUMP SYSTEMS AND THE NUMBER OF HEAT PUMP
25 WATER HEATERS SOLD AND USED IN THE STATE. THE COLORADO ENERGY
26 OFFICE SHALL PROVIDE THE STATE AUDITOR WITH ANY AVAILABLE
27 INFORMATION THAT WOULD ASSIST THE STATE AUDITOR'S MEASUREMENT.

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

3 (a) "AIR-SOURCE HEAT PUMP SYSTEM" HAS THE SAME MEANING
4 SET FORTH IN SECTION 39-26-731 (2)(a).

5 (b) "GROUND-SOURCE HEAT PUMP SYSTEM" HAS THE SAME
6 MEANING SET FORTH IN SECTION 39-26-731 (2)(b).

7 (c) "HEAT PUMP SYSTEM" MEANS AN AIR-SOURCE HEAT PUMP
8 SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT
9 PUMP SYSTEM, OR VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM.

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

12 (e) "PURCHASE PRICE" MEANS THE AMOUNT ACTUALLY PAID BY
13 THE PURCHASER FOR THE TANGIBLE PERSONAL PROPERTY INSTALLED,
14 INCLUDING CHARGES FOR SALES TAX AND FREIGHT, BUT NOT INCLUDING
15 ANY CHARGES FOR ASSEMBLY, INSTALLATION, OR OTHER CONSTRUCTION
16 SERVICES, OR PERMIT FEES.

17 (f) "PURCHASER" MEANS A TAXPAYER WHO IS THE BUYER OF A
18 HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER.

19 (g) "SELLER" MEANS THE ENTITY THAT SELLS A HEAT PUMP
20 SYSTEM OR HEAT PUMP WATER HEATER TO A PURCHASER.

21 (h) "TAXPAYER" MEANS A PERSON SUBJECT TO TAX UNDER THIS
22 ARTICLE 22, OR A PERSON OR POLITICAL SUBDIVISION OF THIS STATE WHO
23 IS EXEMPT FROM TAX UNDER SECTION 39-22-112 (1), BUT DOES NOT
24 INCLUDE INSURANCE COMPANIES SUBJECT TO THE TAX IMPOSED ON GROSS
25 PREMIUMS BY SECTION 10-3-209. FOR PURPOSES OF THIS SECTION, A
26 PERSON OR POLITICAL SUBDIVISION OF THIS STATE WHO IS EXEMPT FROM
27 TAX UNDER SECTION 39-22-112(1) IS A TAXPAYER EVEN IF THE PERSON OR

1 POLITICAL SUBDIVISION HAS NO UNRELATED BUSINESS INCOME.

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

4 (j) "WATER-SOURCE HEAT PUMP SYSTEM" HAS THE SAME MEANING
5 SET FORTH IN SECTION 39-26-731 (2)(e).

6 (3) (a) SUBJECT TO THE PROVISIONS OF SUBSECTION (4) OF THIS
7 SECTION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
8 1, 2023, BUT BEFORE JANUARY 1, 2033, ANY PURCHASER THAT INSTALLS
9 A RESIDENTIAL OR COMMERCIAL HEAT PUMP SYSTEM INTO REAL PROPERTY
10 IN THIS STATE OR THAT INSTALLS A RESIDENTIAL OR COMMERCIAL HEAT
11 PUMP WATER HEATER INTO REAL PROPERTY IN THIS STATE IS ALLOWED A
12 CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN AMOUNT
13 EQUAL TO TEN PERCENT OF THE PURCHASE PRICE PAID BY THE PURCHASER
14 FOR THE HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER.

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

18 (4) (a) (I) TO BE ELIGIBLE TO CLAIM A TAX CREDIT PURSUANT TO
19 THIS SECTION, THE PURCHASER SHALL CERTIFY, AS SPECIFIED IN
20 SUBSECTION (4)(b) OF THIS SECTION, THAT ALL NECESSARY MECHANICAL,
21 PLUMBING, AND ELECTRICAL WORK PERFORMED IN CONNECTION WITH THE
22 INSTALLATION OF A HEAT PUMP SYSTEM OR HEAT PUMP WATER HEATER IN
23 A NEW OR EXISTING INDUSTRIAL, COMMERCIAL, OR MULTIFAMILY
24 RESIDENTIAL BUILDING CONTAINING TWENTY THOUSAND SQUARE FEET OR
25 MORE OF CONDITIONED FLOOR SPACE WAS OR WILL BE PERFORMED BY A
26 CONTRACTOR ON THE CERTIFIED CONTRACTOR LIST CREATED PURSUANT
27 TO SECTION 40-3.2-105.6 (3)(a), OR BY EMPLOYEES OF A UTILITY, SUBJECT

1 TO STATE LICENSING REQUIREMENTS AND ALL APPLICABLE STATE AND
2 LOCAL RULES, CODES, AND STANDARDS.

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

8 (b) THE PURCHASER SHALL CERTIFY, IN A FORM AND MANNER TO
9 BE DETERMINED BY THE DEPARTMENT OF REVENUE, THAT THE HEAT PUMP
10 SYSTEM OR HEAT PUMP WATER HEATER WAS OR WILL BE INSTALLED IN
11 ACCORDANCE WITH THE PROVISIONS OF SUBSECTION (4)(a) OF THIS
12 SECTION, IF APPLICABLE. THE SELLER SHALL PROVIDE THE CERTIFICATION
13 TO THE PURCHASER FOR THE PURPOSES OF SUBSECTION (5) OF THIS
14 SECTION.

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

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

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

25 (III) THE PURCHASER SHALL ASSIGN THE TAX CREDIT TO THE
26 SELLER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE
27 PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE

1 CONSIDERATION; AND

2 (IV) THE SELLER SHALL COMPENSATE THE PURCHASER FOR THE
3 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO
4 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT
5 STATE TAXABLE INCOME.

6 (b) NOTWITHSTANDING SECTION 39-21-108 (3), WHEN A
7 PURCHASER ASSIGNS THE TAX CREDIT TO A SELLER PURSUANT TO THIS
8 SUBSECTION (5), THE SELLER RECEIVES THE FULL AMOUNT OF THE TAX
9 CREDIT THAT THE PURCHASER IS ALLOWED IN THIS SECTION. ANY UNPAID
10 BALANCE OR UNPAID DEBT OF THE PURCHASER MAY NOT BE CREDITED
11 FROM THE AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

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

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

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

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

22 (e) THE SELLER SHALL ELECTRONICALLY SUBMIT A REPORT
23 CONTAINING THE INFORMATION REQUIRED IN THE AGREEMENT DESCRIBED
24 IN SUBSECTION (5)(c) OF THIS SECTION TO THE DEPARTMENT OF REVENUE
25 WITHIN THIRTY DAYS OF THE PURCHASE OF A HEAT PUMP SYSTEM OR HEAT
26 PUMP WATER HEATER IN A FORM AND MANNER TO BE DETERMINED BY THE
27 DEPARTMENT.

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

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

8 (6) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE
9 INCOME TAX DUE ON THE INCOME OF THE SELLER FOR THE TAXABLE YEAR,
10 THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE
11 REFUNDABLE TO THE SELLER.

12 (7) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT
13 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME
14 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO
15 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX
16 ADVICE.

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

18 **39-22-544. Credit against tax - residential energy storage**
19 **systems - tax preference performance statement - legislative**
20 **declaration - definition - repeal.** (1)(a) IN ACCORDANCE WITH SECTION
21 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX
22 EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT
23 AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL
24 ASSEMBLY HEREBY FINDS AND DECLARES THAT THE PURPOSES OF THE TAX
25 EXPENDITURE CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO:

26 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
27 SPECIFICALLY THE PURCHASE AND INSTALLATION OF RESIDENTIAL ENERGY

1 STORAGE SYSTEMS; AND

2 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE
3 GOALS.

4 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
5 MEASURE THE EFFECTIVENESS OF THE TAX CREDITS IN ACHIEVING THE
6 PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE
7 NUMBER OF RESIDENTIAL ENERGY STORAGE SYSTEMS INSTALLED IN THE
8 STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE THE STATE
9 AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD ASSIST THE
10 STATE AUDITOR'S MEASUREMENT.

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

13 (a) "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY
14 AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE
15 BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF
16 RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,
17 MECHANICAL, OR OTHER MEANS.

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

20 (c) "SELLER" MEANS THE ENTITY THAT SELLS AN ENERGY STORAGE
21 SYSTEM.

22 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
23 JANUARY 1, 2023, BUT BEFORE JANUARY 1, 2033, ANY PURCHASER THAT
24 INSTALLS AN ENERGY STORAGE SYSTEM IN A RESIDENTIAL DWELLING IN
25 THIS STATE IS ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS
26 ARTICLE 22 IN AN AMOUNT EQUAL TO TEN PERCENT OF THE PURCHASE
27 PRICE PAID BY THE PURCHASER FOR THE ENERGY STORAGE SYSTEM.

1 (b) "PURCHASE PRICE" MEANS THE AMOUNT ACTUALLY PAID BY
2 THE PURCHASER FOR THE TANGIBLE PERSONAL PROPERTY INSTALLED,
3 INCLUDING CHARGES FOR SALES TAX AND FREIGHT, BUT NOT INCLUDING
4 ANY CHARGES FOR ASSEMBLY, INSTALLATION, OR OTHER CONSTRUCTION
5 SERVICES, OR PERMIT FEES.

6 (c) THE CREDIT ALLOWED PURSUANT TO THIS SECTION IS FOR THE
7 INCOME TAX YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS
8 PURCHASED.

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

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

15 (II) THE PURCHASER SHALL ASSIGN THE TAX CREDIT TO THE
16 SELLER AND FORFEIT THE RIGHT TO CLAIM THE TAX CREDIT ON THE
17 PURCHASER'S TAX RETURN IN EXCHANGE FOR GOOD AND VALUABLE
18 CONSIDERATION; AND

19 (III) THE SELLER SHALL COMPENSATE THE PURCHASER FOR THE
20 FULL NOMINAL VALUE OF THE TAX CREDIT. THE COMPENSATION PAID TO
21 THE PURCHASER IS CONSIDERED A REFUND OF STATE TAXES AND IS NOT
22 STATE TAXABLE INCOME.

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

1 FROM THE AMOUNT OF THE TAX CREDIT ALLOWED IN THIS SECTION.

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

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

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

13 (f) THE SELLER SHALL ALSO FILE THE AGREEMENT DESCRIBED IN
14 SUBSECTION (4)(c) OF THIS SECTION WITH THE ORIGINAL TAX RETURN FOR
15 THE TAXABLE YEAR IN WHICH THE ENERGY STORAGE SYSTEM IS
16 PURCHASED.

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

20 (5) IF A CREDIT AUTHORIZED IN THIS SECTION EXCEEDS THE
21 INCOME TAX DUE ON THE INCOME OF THE SELLER FOR THE TAXABLE YEAR,
22 THE EXCESS CREDIT MAY NOT BE CARRIED FORWARD AND SHALL BE
23 REFUNDABLE TO THE SELLER.

24 (6) MAKING A PURCHASER AWARE OF THE INCOME TAX CREDIT
25 ALLOWED IN THIS SECTION OR HELPING A PURCHASER ASSIGN THE INCOME
26 TAX CREDIT TO A SELLER AS ALLOWED IN THIS SECTION DOES NOT RISE TO
27 THE LEVEL OF PROVIDING THE PURCHASER WITH UNAUTHORIZED TAX

1 ADVICE.

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

3 **SECTION 3.** In Colorado Revised Statutes, 39-22-601, amend

4 (7) as follows:

5 **39-22-601. Returns.** (7) (a) Every person or organization exempt
6 from taxes pursuant to section 39-22-112 shall make and file a return only
7 if said person or organization is required to file a federal return of
8 unrelated business income, which Colorado return shall contain such
9 information as the executive director may prescribe. All procedures of
10 law relating to the determination, assessment, collection, and refund of
11 tax shall apply to such return and the tax payable thereon.

12 (b) THE EXECUTIVE DIRECTOR MAY REQUIRE A PERSON OR
13 ORGANIZATION EXEMPT FROM TAXES PURSUANT TO SECTION 39-22-112 TO
14 MAKE AND FILE A RETURN CONTAINING SUCH INFORMATION AS THE
15 EXECUTIVE DIRECTOR MAY PRESCRIBE TO CLAIM A CREDIT ALLOWED
16 UNDER THIS ARTICLE 22 EVEN IF THE PERSON OR ORGANIZATION DOES NOT
17 HAVE UNRELATED BUSINESS INCOME.

18 (c) ALL PROCEDURES OF LAW RELATING TO THE DETERMINATION,
19 ASSESSMENT, COLLECTION, AND REFUND OF TAX APPLY TO A RETURN
20 MADE AND FILED UNDER THIS SUBSECTION (7) AND THE TAX PAYABLE
21 THEREON, IF ANY.

22 **SECTION 4.** In Colorado Revised Statutes, add 39-26-730,
23 39-26-731, and 39-26-732 as follows:

24 **39-26-730. Eligible decarbonizing building materials - tax**
25 **preference performance statement - legislative declaration -**
26 **definition - repeal.** (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND
27 DECLARES THAT:

1 (I) THE GENERAL ASSEMBLY HAS COMMITTED TO REDUCE
2 GREENHOUSE GASES THROUGH NUMEROUS POLICY AND REGULATORY
3 MEASURES TO MEET THE GOALS ESTABLISHED IN 2019;

4 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED DURING THE
5 MANUFACTURE AND TRANSPORT OF BUILDING MATERIALS USED IN
6 CONSTRUCTION PROJECTS;

7 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND
8 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS IN
9 CONSTRUCTION PROJECTS BY PURCHASING AND USING ELIGIBLE
10 DECARBONIZING BUILDING MATERIALS, WHICH ARE BUILDING MATERIALS
11 WITH A MAXIMUM ACCEPTABLE GLOBAL WARMING POTENTIAL AS
12 DETERMINED BY THE OFFICE OF THE STATE ARCHITECT;

13 (IV) PROVIDING A SALES AND USE TAX EXEMPTION FOR ELIGIBLE
14 DECARBONIZING BUILDING MATERIALS WILL ENCOURAGE BUSINESSES AND
15 INDIVIDUALS TO PURCHASE AND USE THOSE BUILDING MATERIALS RATHER
16 THAN INDUSTRY STANDARD MATERIALS; AND

17 (V) THE PURCHASE AND USE OF ELIGIBLE DECARBONIZING
18 BUILDING MATERIALS WILL HELP IMPROVE ENVIRONMENTAL OUTCOMES
19 AND ACCELERATE NECESSARY GREENHOUSE GAS REDUCTIONS TO PROTECT
20 PUBLIC HEALTH AND THE ENVIRONMENT AND CONSERVE A LIVABLE
21 CLIMATE BY INCORPORATING EMISSIONS INFORMATION FROM
22 THROUGHOUT THE SUPPLY CHAIN AND PRODUCT LIFE CYCLE INTO
23 BUILDING MATERIAL PURCHASING AND USE DECISIONS.

24 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
25 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
26 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
27 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND

1 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN
2 SUBSECTION (3) OF THIS SECTION ARE TO:

3 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
4 SPECIFICALLY THE PURCHASE AND USE OF ELIGIBLE DECARBONIZING
5 BUILDING MATERIALS; AND

6 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE
7 GOALS.

8 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
9 MEASURE THE EFFECTIVENESS OF THE EXEMPTION IN ACHIEVING THE
10 PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE
11 QUANTITY OF ELIGIBLE DECARBONIZING BUILDING MATERIALS SOLD AND
12 USED IN THE STATE. THE COLORADO ENERGY OFFICE AND OFFICE OF THE
13 STATE ARCHITECT SHALL PROVIDE THE STATE AUDITOR WITH ANY
14 AVAILABLE INFORMATION THAT WOULD ASSIST THE STATE AUDITOR'S
15 MEASUREMENT.

16 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
17 REQUIRES, "ELIGIBLE DECARBONIZING BUILDING MATERIALS" MEANS
18 BUILDING MATERIALS THAT HAVE A MAXIMUM ACCEPTABLE GLOBAL
19 WARMING POTENTIAL AS DETERMINED BY THE OFFICE OF THE STATE
20 ARCHITECT PURSUANT TO SECTION 24-92-117. "ELIGIBLE DECARBONIZING
21 BUILDING MATERIALS" INCLUDES:

- 22 (a) ASPHALT AND ASPHALT MIXTURES;
- 23 (b) CEMENT AND CONCRETE MIXTURES;
- 24 (c) GLASS;
- 25 (d) POST-TENSION STEEL;
- 26 (e) REINFORCING STEEL;
- 27 (f) STRUCTURAL STEEL; AND

1 (g) WOOD STRUCTURAL ELEMENTS.

2 (3) ON AND AFTER JULY 1, 2024, ALL SALES, STORAGE, AND USE OF
3 ELIGIBLE DECARBONIZING BUILDING MATERIALS THAT ARE ON THE LIST OF
4 ELIGIBLE MATERIALS MAINTAINED BY THE OFFICE OF THE STATE
5 ARCHITECT PURSUANT TO SECTION 24-92-117 (7), ARE EXEMPT FROM
6 TAXATION UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

7 (4) BY JANUARY 1, 2024, THE OFFICE OF THE STATE ARCHITECT
8 SHALL PROVIDE THE LIST IT COMPILES AND MAINTAINS PURSUANT TO
9 SECTION 24-92-117 (7) TO THE DEPARTMENT OF REVENUE. BASED ON THE
10 LIST FROM THE OFFICE OF THE STATE ARCHITECT, THE DEPARTMENT SHALL
11 CREATE AND MAINTAIN A DATABASE OF PRODUCTS, INCLUDING THE
12 MANUFACTURERS OF THE PRODUCTS, THAT ARE ELIGIBLE FOR THE SALES
13 AND USE TAX EXEMPTION ALLOWED PURSUANT TO THIS SECTION FOR USE
14 BY ENTITIES THAT SELL DECARBONIZING BUILDING MATERIALS.

15 (5) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2034.

16 **39-26-731. Heat pump systems - tax preference performance**
17 **statement - legislative declaration - definitions - repeal.** (1) (a) THE
18 GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

19 (I) THE GENERAL ASSEMBLY HAS COMMITTED TO REDUCE
20 GREENHOUSE GASES THROUGH NUMEROUS POLICY AND REGULATORY
21 MEASURES TO MEET THE GOALS ESTABLISHED IN 2019;

22 (II) GREAT QUANTITIES OF EMISSIONS ARE RELEASED IN THE
23 TRADITIONAL PROCESS OF HEATING AND COOLING PRIVATE SECTOR
24 COMMERCIAL AND RESIDENTIAL BUILDINGS;

25 (III) THERE IS GREAT POTENTIAL FOR BUSINESSES AND
26 INDIVIDUALS IN THE STATE TO REDUCE GREENHOUSE GAS EMISSIONS
27 GENERATED IN THE HEATING AND COOLING OF COMMERCIAL AND

1 RESIDENTIAL BUILDINGS BY INSTALLING HEAT PUMP SYSTEMS AND HEAT
2 PUMP WATER HEATERS, WHICH REDUCE NET GREENHOUSE GAS EMISSIONS;

3 (IV) PROVIDING A SALES AND USE TAX EXEMPTION FOR HEAT PUMP
4 SYSTEMS AND HEAT PUMP WATER HEATERS WILL ENCOURAGE BUSINESSES
5 AND INDIVIDUALS TO PURCHASE AND USE HEAT PUMP SYSTEMS AND
6 HEAT PUMP WATER HEATERS RATHER THAN TRADITIONAL HEATING AND
7 COOLING METHODS; AND

8 (V) THE PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT
9 PUMP WATER HEATERS WILL BENEFIT PUBLIC HEALTH IN THE HEATING AND
10 COOLING OF HOMES AND BUSINESSES AND TAKE ADVANTAGE OF LATENT
11 HEAT SOURCES AND AVAILABLE RENEWABLE POWER DURING LOW DEMAND
12 PERIODS.

13 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
14 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
15 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
16 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND
17 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN
18 SUBSECTION (3) OF THIS SECTION ARE TO:

19 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
20 SPECIFICALLY THE PURCHASE AND USE OF HEAT PUMP SYSTEMS AND HEAT
21 PUMP WATER HEATERS; AND

22 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE
23 GOALS.

24 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
25 MEASURE THE EFFECTIVENESS OF THE EXEMPTION IN ACHIEVING THE
26 PURPOSES SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE
27 NUMBER OF HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS SOLD

1 AND USED IN THE STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE
2 THE STATE AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD
3 ASSIST THE STATE AUDITOR'S MEASUREMENT.

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

6 (a) (I) "AIR-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM THAT:

7 (A) IS CERTIFIED PURSUANT TO THE FEDERAL ENVIRONMENTAL
8 PROTECTION AGENCY'S ENERGY STAR PROGRAM;

9 (B) HAS A VARIABLE SPEED COMPRESSOR;

10 (C) IS LISTED IN THE AIR-CONDITIONING, HEATING, AND
11 REFRIGERATION INSTITUTE DIRECTORY OF CERTIFIED PRODUCT
12 PERFORMANCE AS A MATCHED SYSTEM; AND

13 (D) IS INSTALLED BY A LICENSED CONTRACTOR, PLUMBER, OR
14 EMPLOYEE OF A GAS UTILITY IN ACCORDANCE WITH THE NATIONAL
15 ELECTRICAL CODE AND THE MANUFACTURER'S SPECIFICATIONS.

16 (II) "AIR-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL FUEL
17 SYSTEM SO LONG AS:

18 (A) THE AIR-SOURCE HEAT PUMP IS USED AS THE PRIMARY SOURCE
19 OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT LEAST EIGHTY
20 PERCENT OF TOTAL ANNUAL HEATING FOR THE BUILDING;

21 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO
22 ALL CONDITIONED AREAS OF THE BUILDING;

23 (C) THE SYSTEM HAS A FURNACE WITH AN ANNUAL FUEL
24 UTILIZATION EFFICIENCY RATING OF NINETY PERCENT OR HIGHER;

25 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS
26 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND

27 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED

1 ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

2 (b) (I) "GROUND-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM
3 THAT:

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

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

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

11 (D) HAS BLOWERS THAT ARE _____ VARIABLE SPEED,
12 HIGH-EFFICIENCY MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS
13 LISTED IN THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION
14 MG1-1993 PUBLICATION; AND

15 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
16 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM
17 REQUIREMENTS.

18 (II) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A DUAL
19 FUEL SYSTEM SO LONG AS:

20 (A) THE GROUND-SOURCE HEAT PUMP IS USED AS THE PRIMARY
21 SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT LEAST
22 EIGHTY PERCENT OF TOTAL ANNUAL HEATING FOR THE BUILDING;

23 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO
24 ALL CONDITIONED AREAS OF THE BUILDING;

25 (C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY
26 RATING OF NINETY PERCENT OR HIGHER;

27 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS

1 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND

2 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS THAT ARE TRAINED
3 ON THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

4 (III) "GROUND-SOURCE HEAT PUMP SYSTEM" INCLUDES
5 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION
6 OF A GROUND-SOURCE HEAT PUMP.

7 (IV) "GROUND-SOURCE HEAT PUMP SYSTEM" MAY INCLUDE A
8 HEAT EXCHANGER FOR WATER HEATING.

9 (c) "HEAT PUMP SYSTEM" MEANS AN AIR-SOURCE HEAT PUMP
10 SYSTEM, GROUND-SOURCE HEAT PUMP SYSTEM, WATER-SOURCE HEAT
11 PUMP SYSTEM, OR VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM.

12 (d) (I) "HEAT PUMP WATER HEATER" MEANS AN ELECTRIC WATER
13 HEATER THAT USES HEAT PUMP TECHNOLOGY TO TRANSFER HEAT FROM
14 THE SURROUNDING AIR TO WATER IN A TANK AND THAT IS CERTIFIED
15 PURSUANT TO THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S
16 ENERGY STAR PROGRAM.

17 (II) "HEAT PUMP WATER HEATER" MAY INCLUDE:

18 (A) AN ELECTRIC RESISTANCE HEATING ELEMENT; AND

19 (B) MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE
20 OPERATION OF A HEAT PUMP WATER HEATER.

21 (e) (I) "WATER-SOURCE HEAT PUMP SYSTEM" MEANS A SYSTEM
22 THAT:

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

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

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

3 (D) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY
4 MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE
5 NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MG1-1993
6 PUBLICATION; AND

7 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
8 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND
9 WASTEWATER SYSTEM REQUIREMENTS.

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

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

15 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO
16 ALL CONDITIONED AREAS OF THE BUILDING;

17 (C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY
18 RATING OF NINETY PERCENT OR HIGHER;

19 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS
20 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND

21 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS WHO ARE TRAINED
22 IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

23 (III) "WATER-SOURCE HEAT PUMP SYSTEM" INCLUDES
24 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION
25 OF A WATER-SOURCE HEAT PUMP.

26 (f) (I) "VARIABLE REFRIGERANT FLOW HEAT PUMP SYSTEM" MEANS
27 A SYSTEM THAT:

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

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

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

8 (D) HAS BLOWERS THAT ARE VARIABLE SPEED, HIGH-EFFICIENCY
9 MOTORS THAT MEET OR EXCEED EFFICIENCY LEVELS LISTED IN THE
10 NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION MGI-1993
11 PUBLICATION; AND

12 (E) COMPLIES WITH ALL STATE AND LOCAL DRINKING WATER
13 GUIDELINES AND REGULATIONS AND PUBLIC WATER SYSTEM AND
14 WASTEWATER SYSTEM REQUIREMENTS.

15 (II) "VARIABLE REFRIGERANT FLOW SYSTEM" MAY INCLUDE A
16 DUAL FUEL SYSTEM SO LONG AS:

17 (A) THE VARIABLE REFRIGERANT FLOW SYSTEM IS USED AS THE
18 PRIMARY SOURCE OF A BUILDING'S HEAT AND IS DESIGNED TO SUPPLY AT
19 LEAST EIGHTY PERCENT OF THE TOTAL ANNUAL HEATING FOR THE
20 BUILDING;

21 (B) THE SYSTEM IS CAPABLE OF DISTRIBUTING PRODUCED HEAT TO
22 ALL CONDITIONED AREAS OF THE BUILDING;

23 (C) THE FURNACE HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY
24 RATING OF NINETY PERCENT OR HIGHER;

25 (D) ALL PIPING FOR A SPLIT SYSTEM IS INSTALLED BY TECHNICIANS
26 CERTIFIED TO THE NITC R78 BRAZING PROCEDURE; AND

27 (E) THE SYSTEM IS INSTALLED BY TECHNICIANS WHO ARE TRAINED

1 IN THE SAFE HANDLING OF FLAMMABLE REFRIGERANTS.

2 (III) "VARIABLE REFRIGERANT FLOW SYSTEM" INCLUDES
3 MECHANICAL AND ELECTRICAL EQUIPMENT CENTRAL TO THE OPERATION
4 OF A VARIABLE REFRIGERANT FLOW SYSTEM.

5 (3) ON AND AFTER JANUARY 1, 2023, SUBJECT TO THE PROVISIONS
6 OF SUBSECTION (4) OF THIS SECTION, ALL SALES, STORAGE, AND USE OF
7 HEAT PUMP SYSTEMS AND HEAT PUMP WATER HEATERS THAT ARE USED IN
8 COMMERCIAL OR RESIDENTIAL BUILDINGS ARE EXEMPT FROM TAXATION
9 UNDER PARTS 1 AND 2 OF THIS ARTICLE 26.

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

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

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

6 (5) THIS SECTION IS REPEALED, EFFECTIVE JANUARY 1, 2033.

7 **39-26-732. Residential energy storage systems - tax preference**
8 **performance statement - legislative declaration - definition - repeal.**

9 (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES
10 EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX
11 PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
12 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND
13 DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN
14 SUBSECTION (3) OF THIS SECTION ARE TO:

15 (I) INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS,
16 SPECIFICALLY THE PURCHASE AND INSTALLATION OF RESIDENTIAL ENERGY
17 STORAGE SYSTEMS; AND

18 (II) CONTRIBUTE TO THE STATE'S EFFORT TO ACHIEVE ITS CLIMATE
19 GOALS.

20 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
21 MEASURE THE EFFECTIVENESS OF THE TAX EXEMPTION IN ACHIEVING THE
22 PURPOSES SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE
23 NUMBER OF RESIDENTIAL ENERGY STORAGE SYSTEMS SOLD AND USED IN
24 THE STATE. THE COLORADO ENERGY OFFICE SHALL PROVIDE THE STATE
25 AUDITOR WITH ANY AVAILABLE INFORMATION THAT WOULD ASSIST THE
26 STATE AUDITOR'S MEASUREMENT.

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

1 REQUIRES, "ENERGY STORAGE SYSTEM" MEANS ANY COMMERCIALY
2 AVAILABLE, CUSTOMER-SITED SYSTEM, INCLUDING BATTERIES AND THE
3 BATTERIES PAIRED WITH ON-SITE GENERATION, THAT IS CAPABLE OF
4 RETAINING, STORING, AND DELIVERING ENERGY BY CHEMICAL, THERMAL,
5 MECHANICAL, OR OTHER MEANS.

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

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

11 **SECTION 5.** In Colorado Revised Statutes, **add 40-3-119** as
12 follows:

13 **40-3-119. Measurement of use for billing - rules.** AFTER
14 JANUARY 1, 2023, AN INVESTOR-OWNED GAS UTILITY, AT ITS DISCRETION,
15 MAY APPLY TO THE COMMISSION FOR APPROVAL TO MEASURE THE AMOUNT
16 OF USE FOR BILLING PURPOSES IN EITHER FUEL COMMODITY UNITS OR FOR
17 ENERGY SERVICES PROVIDED. UPON RECEIPT OF THE UTILITY'S
18 APPLICATION, THE COMMISSION SHALL APPROVE, DENY, OR MODIFY THE
19 UTILITY'S APPLICATION FOR MEASUREMENT OF USE FOR BILLING PURPOSES
20 PURSUANT TO THIS SECTION.

21 **SECTION 6.** In Colorado Revised Statutes, 29-2-105, **add**
22 **(1)(d)(I)(Q), (1)(d)(I)(R), and (1)(d)(I)(S)** as follows:

23 **29-2-105. Contents of sales tax ordinances and proposals.**

24 (1) The sales tax ordinance or proposal of any incorporated town, city,
25 or county adopted pursuant to this article 2 shall be imposed on the sale
26 of tangible personal property at retail or the furnishing of services, as
27 provided in subsection (1)(d) of this section. Any countywide or

1 incorporated town or city sales tax ordinance or proposal shall include the
2 following provisions:

3 (d) (I) A provision that the sale of tangible personal property and
4 services taxable pursuant to this article 2 shall be the same as the sale of
5 tangible personal property and services taxable pursuant to section
6 39-26-104, except as otherwise provided in this subsection (1)(d). The
7 sale of tangible personal property and services taxable pursuant to this
8 article 2 shall be subject to the same sales tax exemptions as those
9 specified in part 7 of article 26 of title 39; except that the sale of the
10 following may be exempted from a town, city, or county sales tax only by
11 the express inclusion of the exemption either at the time of adoption of
12 the initial sales tax ordinance or resolution or by amendment thereto:

13 (Q) THE EXEMPTION FOR SALES OF ELIGIBLE DECARBONIZING
14 BUILDING MATERIALS SET FORTH IN SECTION 39-26-730;

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

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

19 **SECTION 7.** In Colorado Revised Statutes, 29-2-109, **amend** (1)
20 introductory portion as follows:

21 **29-2-109. Contents of use tax ordinances and proposals -**
22 **repeal.** (1) The use tax ordinance, resolution, or proposal of any town,
23 city, or county adopted pursuant to this article 2 shall be imposed only for
24 the privilege of using or consuming in the town, city, or county any
25 construction and building materials purchased at retail or for the privilege
26 of storing, using, or consuming in the town, city, or county any motor and
27 other vehicles, purchased at retail on which registration is required, or

1 both. For the purposes of this subsection (1), the term "construction and
2 building materials" shall not include parts or materials utilized in the
3 fabrication, construction, assembly, or installation of passenger tramways,
4 as defined in section 12-150-103 (5), by any ski area operator, as defined
5 in section 33-44-103 (7), or any person fabricating, constructing,
6 assembling, or installing a passenger tramway for a ski area operator. The
7 ordinance, resolution, or proposal may recite that the use tax shall not
8 apply to the storage and use of wood from salvaged trees killed or
9 infested in Colorado by mountain pine beetles or spruce beetles as
10 exempted from the state use tax pursuant to section 39-26-723. The
11 ordinance, resolution, or proposal may recite that the use tax shall not
12 apply to the storage and use of components used in the production of
13 energy, including but not limited to alternating current electricity, from
14 a renewable energy source, as exempted from the state use tax pursuant
15 to section 39-26-724. THE ORDINANCE, RESOLUTION, OR PROPOSAL MAY
16 RECITE THAT THE USE TAX SHALL NOT APPLY TO THE STORAGE AND USE OF
17 ELIGIBLE DECARBONIZING BUILDING MATERIALS, AS EXEMPTED FROM THE
18 STATE USE TAX PURSUANT TO SECTION 39-26-730. The ordinance,
19 resolution, or proposal shall recite that the use tax shall not apply:

20 **SECTION 8. Act subject to petition - effective date.** This act
21 takes effect at 12:01 a.m. on the day following the expiration of the
22 ninety-day period after final adjournment of the general assembly; except
23 that, if a referendum petition is filed pursuant to section 1 (3) of article V
24 of the state constitution against this act or an item, section, or part of this
25 act within such period, then the act, item, section, or part will not take
26 effect unless approved by the people at the general election to be held in

- 1 November 2022 and, in such case, will take effect on the date of the
- 2 official declaration of the vote thereon by the governor.