

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

**REENGROSSED**

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

LLS NO. 21-0502.01 Ed DeCecco x4216

**HOUSE BILL 21-1312**

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**House Committees**

Finance  
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**A BILL FOR AN ACT**

101       **CONCERNING TAXATION, AND, IN CONNECTION THEREWITH,**  
102               **NARROWING THE SCOPE OF THE HOME OFFICE INSURANCE**  
103               **PREMIUM TAX RATE REDUCTION AND THE ANNUITIES**  
104               **CONSIDERATION EXEMPTION FOR THE INSURANCE PREMIUM**  
105               **TAX; FOR PURPOSES OF THE PROPERTY TAX, REQUIRING THE**  
106               **ACTUAL VALUE OF REAL PROPERTY TO REFLECT THE VALUE OF**  
107               **THE FEE SIMPLE ESTATE AND REQUIRING PERSONAL PROPERTY**  
108               **TO BE BASED ON THE PROPERTY'S VALUE IN USE; INCREASING**  
109               **THE PER-SCHEDULE EXEMPTION FOR BUSINESS PERSONAL**  
110               **PROPERTY TAX AND REIMBURSING LOCAL GOVERNMENTS FOR**  
111               **THE LOST TAX REVENUE; FOR PURPOSES OF THE SALES AND USE**  
112               **TAX, CODIFYING THAT THE DEFINITION OF TANGIBLE PERSONAL**  
113               **PROPERTY INCLUDES DIGITAL GOODS AND SPECIFYING THAT THE**

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.*

HOUSE  
3rd Reading Unamended  
May 22, 2021

HOUSE  
Amended 2nd Reading  
May 21, 2021

101 TAX ON SALES AND PURCHASES OF TANGIBLE PERSONAL  
102 PROPERTY INCLUDES AMOUNTS CHARGED FOR MAINFRAME  
103 COMPUTER ACCESS, PHOTOCOPYING, AND PACKING AND  
104 CRATING; DISALLOWING THE SALES TAX VENDOR FEE FOR  
105 RETAILERS WITH A SUBSTANTIAL AMOUNT OF TAXABLE SALES  
106 DURING THE FILING PERIOD; FOR THE SEVERANCE TAX ON OIL  
107 AND GAS, REQUIRING THE NET-BACK DEDUCTIONS USED TO  
108 DETERMINE GROSS INCOME BE DIRECT COSTS ACTUALLY PAID BY  
109 THE TAXPAYER; PHASING-OUT TAX CREDITS AND EXEMPTIONS  
110 FOR THE SEVERANCE TAX ON COAL; AND MAKING AN  
111 APPROPRIATION.

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### 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 makes changes to several state and local government taxes.

**Insurance premium tax.** Currently, the insurance premium tax is equal to 2% of premiums collected or contracted for covering property or risks in this state; except that a company that is deemed to maintain a home office or regional home office in this state pays tax of 1%. **Section 2** of the bill requires a company to have at least 2.5% of its total domestic workforce in the state in order for the company to be deemed to maintain a home office or regional home office. This section also narrows the tax exemption for annuities considerations to those that are purchased in connection with a qualified retirement plan, a Roth 401(k), or an individual retirement account. For the purpose of auditing a company's tax statement, section 2 also authorizes the commissioner of insurance to appoint an independent examiner to conduct an examination on behalf of the commissioner.

**Property tax.** For purposes of imposing the property tax, **section 4** requires the actual value of real property to reflect the value of the fee simple estate. **Section 5** requires that the actual value of personal property be determined based on the property's value in use, which will be defined by the property tax administrator.

There is an exemption from property tax for business personal

property that would otherwise be listed on a single personal property if the property is less than a certain amount, which increases with inflation each property tax cycle. For the next property tax cycle, **section 6** increases the exemption from \$7,900 to \$50,000. Similar to the reimbursement for the homestead exemption, the state is required to reimburse local governments for lost property tax revenue caused by the increase. The first reimbursement will be based on actual property tax schedules filed, and future reimbursements will be adjusted estimates based on the initial amount.

**Sales and use tax.** The state sales and use tax is imposed on the sale and use of tangible personal property. **Section 7** codifies the department of revenue rule that the definition of "tangible personal property" includes "digital goods". **Section 8** specifies that the state sales tax applies to amounts charged for mainframe computer access, photocopying, and packing and crating.

A retailer who collects state sales tax is currently allowed to retain 4% of the state sales taxes collected, with a monthly cap of \$1,000, as compensation for the retailer's expenses incurred in collecting and remitting the tax (vendor fee). Beginning January 1, 2022, **section 9** eliminates the vendor fee for any filing period that the retailer's total taxable sales were greater than \$1 million.

**Severance taxes.** The severance tax on oil and gas is currently imposed on gross income, which is equal to the net amount realized for the sale of the oil and gas. The net amount realized is equal to the gross lease revenues, less deductions for any transportation, manufacturing, or processing costs by the taxpayer borne by the taxpayer (netback deductions). **Section 10** limits the netback deductions to direct costs actually paid by the taxpayer for those purposes, which disallows costs of capital and other indirect expenses.

Currently, the first 300,000 tons of coal produced in each quarter is exempt from the property tax. There is also a tax credit equal to 50% for coal produced from underground mines and another credit in the same amount for lignitic coal. Beginning with the 2022 taxable year, **section 11** phases out the quarterly exemption and both tax credits. The additional severance tax that results from these changes is credited to the just transition cash fund under **section 12**.

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

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

4 (a) (I) The insurance premium tax rate for a home office or

1 regional home office was designed to create an incentive for insurance  
2 companies to maintain a substantial workforce presence in the state, but  
3 it has become clear that this incentive has failed to achieve the intended  
4 result;

5 (II) The annuities considerations exemption to the insurance  
6 premium tax was created to promote retirement annuities as a form of  
7 retirement income security for workers, but over the years it has been  
8 expanded due to the use of annuities as tax shelters;

9 (III) The home office or regional home office tax rate and the  
10 annuities considerations exemption are being modified to achieve the  
11 original purpose of those measures;

12 (IV) Any revenue increase from these changes is incidental to this  
13 purpose and is de minimis;

14 (b) The changes to the property tax will codify the current  
15 valuation methods for real and personal property in the state;

16 (c) With respect to certain changes to the sales and use tax in this  
17 act:

18 (I) The changes are intended to reflect the general assembly's  
19 intent of how the existing statute should be interpreted;

20 (II) The definition of "digital goods" codifies the department of  
21 revenue's long-standing treatment of digital goods, as reflected in its rule,  
22 and neither expands nor contracts the definition of "tangible personal  
23 property";

24 (III) It is the general assembly's intent to tax sales of tangible  
25 personal property no matter the delivery method;

26 (IV) The delivery methods specified in this act are not meant to  
27 be exhaustive and sales of digital goods that are delivered via new

1 technologies should also be taxed; and

2 (V) It is the general assembly's intent to clarify that amounts  
3 charged for mainframe computer access, photocopying, and packing and  
4 crating are sales and purchases of tangible personal property subject to  
5 the state sales tax;

6 (d) (I) In *BP Am. Prod. Co. v. Colo. Dep't of Revenue*, 2016 CO  
7 23, the Colorado supreme court held that the "cost of capital" associated  
8 with natural gas transportation and processing facilities was a deductible  
9 cost under section 39-29-102 (3)(a), Colorado Revised Statutes, which  
10 expanded the deduction well beyond the general assembly's original  
11 intent; and

12 (II) By limiting the allowable deduction to only those costs that  
13 are direct and actually paid by the taxpayer, the general assembly is  
14 restoring the deduction to its original scope and intent, while also  
15 simplifying and streamlining the collection and administration of the  
16 severance tax.

17 **SECTION 2.** In Colorado Revised Statutes, 10-3-209, **amend**  
18 (1)(b)(II) introductory portion, (1)(d)(IV), and (5); and **add** (1)(b)(II.5)  
19 and (1)(b)(II.7) as follows:

20 **10-3-209. Tax on premiums collected - exemptions - penalties.**

21 (1) (b) (II) For purposes of this ~~paragraph (b)~~ SUBSECTION (1)(b), EXCEPT  
22 AS OTHERWISE PROVIDED IN SUBSECTION (1)(b)(II.5), any company is  
23 deemed to maintain a home office or regional home office in this state if  
24 such company either:

25 (II.5) TO BE DEEMED TO MAINTAIN A HOME OFFICE OR REGIONAL  
26 HOME OFFICE IN THIS STATE, A COMPANY MUST MEET ONE OF THE CRITERIA  
27 SET FORTH IN SUBSECTION (1)(b)(II) OF THIS SECTION AND ALSO HAVE A

1 WORKFORCE IN THE STATE THAT IS GREATER THAN OR EQUAL TO:

2 (A) TWO PERCENT OF THE COMPANY'S TOTAL DOMESTIC  
3 WORKFORCE, FOR TAXES THAT ARE DUE AND PAYABLE FOR CALENDAR  
4 YEAR 2022;

5 (B) TWO AND ONE-QUARTER PERCENT OF THE COMPANY'S TOTAL  
6 DOMESTIC WORKFORCE, FOR TAXES THAT ARE DUE AND PAYABLE FOR  
7 CALENDAR YEAR 2023; AND

8 (C) TWO AND ONE-HALF PERCENT OF THE COMPANY'S TOTAL  
9 DOMESTIC WORKFORCE, FOR TAXES THAT ARE DUE AND PAYABLE FOR  
10 CALENDAR YEAR 2024 AND EACH CALENDAR YEAR THEREAFTER.

11 (II.7) FOR PURPOSES OF THE CALCULATION REQUIRED IN  
12 SUBSECTION (1)(b)(II.5) OF THIS SECTION, A WORKFORCE INCLUDES ALL  
13 EMPLOYEES OF THE COMPANY; THE COMPANY'S ULTIMATE PARENT ENTITY;  
14 SUBSIDIARIES; AND AFFILIATES, AS DEFINED IN SECTION 10-3-801 (1), BUT  
15 EXCLUDES AGENTS, BROKERS, AND THEIR STAFF.

16 (d) (IV) Except to the extent provided in subsection (2) of this  
17 section, the tax imposed by this section shall not apply to premiums  
18 collected or contracted for after December 31, 1968, on policies or  
19 contracts issued in connection with a pension, profit sharing, or annuity  
20 plan established by an employer for employees if contributions by such  
21 employer thereunder are deductible by such employer in determining such  
22 employer's net income as defined in section 39-22-304, ~~C.R.S.~~, and shall  
23 not apply to premiums collected or contracted for after December 31,  
24 1968, on policies or contracts purchased for an employee by an employer  
25 if such employer is exempt under section 39-22-112 ~~C.R.S.~~, from the tax  
26 imposed by article 22 of title 39, ~~C.R.S.~~, or is a state, a political  
27 subdivision of a state, or an agency or instrumentality of a state or

1 political subdivision of a state. ~~Except to the extent provided in~~  
2 ~~subsection (2) of this section,~~ The tax imposed by this section shall not  
3 apply to annuity considerations collected or contracted for after December  
4 31, 1976, EXCEPT TO THE EXTENT PROVIDED IN SUBSECTION (2) OF THIS  
5 SECTION AND EXCEPT FOR, TAXES THAT ARE DUE AND PAYABLE FOR THE  
6 CALENDAR YEAR 2021 AND EACH CALENDAR YEAR THEREAFTER, THIS  
7 EXEMPTION ONLY APPLIES TO ANNUITY CONSIDERATIONS THAT ARE  
8 PURCHASED IN CONNECTION WITH A QUALIFIED RETIREMENT PLAN, A ROTH  
9 401(k) UNDER SECTION 402A OF THE INTERNAL REVENUE CODE, OR AN  
10 INDIVIDUAL RETIREMENT ACCOUNT UNDER SECTION 408(a) OF THE  
11 INTERNAL REVENUE CODE.

12 (5) For the purpose of auditing a company's tax statement, the  
13 commissioner or the commissioner's designee, WHICH MAY INCLUDE AN  
14 INDEPENDENT EXAMINER UNDER SECTION 10-1-204 (6), has the power to  
15 examine any books, papers, records, agreements, or memoranda bearing  
16 upon the matters required to be included in the tax statement. Such books,  
17 papers, records, agreements, or memoranda shall be made available upon  
18 request to the commissioner's office OR THE COMMISSIONER'S DESIGNEE.

19 **SECTION 3.** In Colorado Revised Statutes, 39-1-102, **add** (3.7)  
20 as follows:

21 **39-1-102. Definitions.** As used in articles 1 to 13 of this title 39,  
22 unless the context otherwise requires:

23 (3.7) "FEE SIMPLE ESTATE" MEANS THE LARGEST POSSIBLE ESTATE  
24 ALLOWED BY LAW, AN ESTATE THAT HAS POTENTIALLY INFINITE  
25 DURATION.

26 **SECTION 4.** In Colorado Revised Statutes, 39-1-103, **amend**  
27 (5)(a) as follows:

1           **39-1-103. Actual value determined - when.** (5) (a) All real and  
2 personal property shall be appraised and the actual value thereof for  
3 property tax purposes determined by the assessor of the county wherein  
4 such property is located. The actual value of such property, other than  
5 agricultural lands exclusive of building improvements thereon and other  
6 than residential real property and other than producing mines and lands  
7 or leaseholds producing oil or gas, shall be that value determined by  
8 appropriate consideration of the cost approach, the market approach, and  
9 the income approach to appraisal. The assessor shall consider and  
10 document all elements of such approaches that are applicable prior to a  
11 determination of actual value. THE ACTUAL VALUE REFLECTS THE VALUE  
12 OF THE FEE SIMPLE ESTATE. Despite any orders of the state board of  
13 equalization, no assessor shall arbitrarily increase the valuations for  
14 assessment of all parcels represented within the abstract of a county or  
15 within a class or subclass of parcels on that abstract by a common  
16 multiple in response to the order of said board. If an assessor is required,  
17 pursuant to the order of said board, to increase or decrease valuations for  
18 assessment, such changes shall be made only upon individual valuations  
19 for assessment of each and every parcel, using each of the approaches to  
20 appraisal specified in this ~~paragraph (a)~~ SUBSECTION (5)(a), if applicable.  
21 The actual value of agricultural lands, exclusive of building  
22 improvements thereon, shall be determined by consideration of the  
23 earning or productive capacity of such lands during a reasonable period  
24 of time, capitalized at a rate of thirteen percent. Land that is valued as  
25 agricultural and that becomes subject to a perpetual conservation  
26 easement shall continue to be valued as agricultural notwithstanding its  
27 dedication for conservation purposes; except that, if any portion of such

1 land is actually used for nonagricultural commercial or nonagricultural  
2 residential purposes, that portion shall be valued according to such use.  
3 Nothing in this subsection (5) shall be construed to require or permit the  
4 reclassification of agricultural land or improvements, including residential  
5 property, due solely to subjecting the land to a perpetual conservation  
6 easement. The actual value of residential real- property shall be  
7 determined solely by consideration of the market approach to appraisal.  
8 A gross rent multiplier may be considered as a unit of comparison within  
9 the market approach to appraisal. The valuation for assessment of  
10 producing mines and of lands or leaseholds producing oil or gas shall be  
11 determined pursuant to articles 6 and 7 of this ~~title~~ TITLE 39.

12 **SECTION 5.** In Colorado Revised Statutes, 39-1-104, **amend**  
13 (12.3)(a)(I) as follows:

14 **39-1-104. Valuation for assessment - definitions.**

15 (12.3) (a) (I) The actual value of personal property ~~shall be~~ IS determined  
16 by appropriate consideration of such of the three approaches specified in  
17 section 39-1-103 (5)(a) as are applicable to the appraisal of such property  
18 AND IS BASED ON THE PROPERTY'S VALUE IN USE. Subject to review and  
19 approval pursuant to section 39-2-109 (1)(e), the administrator shall  
20 prepare and publish appraisal procedures and instructions for the annual  
21 appraisal of such property that ~~will~~ include A DEFINITION OF "VALUE IN  
22 USE" AND a factor or factors to adjust the actual value for the current year  
23 of assessment to the level of value applicable to real property.

24 **SECTION 6.** In Colorado Revised Statutes, 39-3-119.5, **amend**  
25 (2)(a)(III) and (2)(b)(I); and **add** (2)(a)(V), (2)(a)(VI), (2)(a)(VII),  
26 (2)(a)(VIII), and (3) as follows:

27 **39-3-119.5. Personal property - exemption - reimbursement to**

1 **local governments - legislative declaration - definitions.** (2) (a) The  
2 exemption created in subsection (1) of this section shall be up to and  
3 including the following amounts:

4 (III) Five thousand five hundred dollars for property tax years  
5 commencing on January 1, 2011, and January 1, 2012; ~~and~~

6 (V) SEVEN THOUSAND THREE HUNDRED DOLLARS FOR PROPERTY  
7 TAX YEARS COMMENCING ON JANUARY 1, 2015, AND JANUARY 1, 2016;

8 (VI) SEVEN THOUSAND FOUR HUNDRED DOLLARS FOR PROPERTY  
9 TAX YEARS COMMENCING ON JANUARY 1, 2017, AND JANUARY 1, 2018;

10 (VII) SEVENTH THOUSAND SEVEN HUNDRED DOLLARS FOR PROPERTY  
11 TAX YEARS COMMENCING ON JANUARY 1, 2019, AND JANUARY 1, 2020;

12 AND

13 (VIII) FIFTY THOUSAND DOLLARS FOR PROPERTY TAX YEARS  
14 COMMENCING ON JANUARY 1, 2021, AND JANUARY 1, 2022.

15 (b) (I) (A) Beginning with the property tax year commencing on  
16 ~~January 1, 2015~~ JANUARY 1, 2023, the amount of the exemption created  
17 in subsection (1) of this section shall be adjusted biennially to account for  
18 inflation since the amount of the exemption last changed pursuant to this  
19 subsection (2). On or before ~~November 1, 2014~~ NOVEMBER 1, 2022, and  
20 each even-numbered year thereafter, the administrator shall calculate the  
21 amount of the exemption for the next two-year cycle using inflation for  
22 the prior two calendar years as of the date of the calculation. The adjusted  
23 exemption shall be rounded upward to the nearest one hundred dollar  
24 increment. The administrator shall certify the amount of the exemption  
25 for the next two-year cycle and publish the amount on the website  
26 maintained by the division of property taxation in the department of local  
27 affairs.

1 (B) WHEN CALCULATING THE EXEMPTION AMOUNT UNDER  
2 SUBSECTION (2)(b)(I)(A) OF THIS SECTION, THE ADMINISTRATOR SHALL DO  
3 ANOTHER CALCULATION IN THE SAME MANNER BUT STARTING FROM SEVEN  
4 THOUSAND NINE HUNDRED DOLLARS INSTEAD OF FIFTY THOUSAND  
5 DOLLARS. THIS AMOUNT IS THE ALTERNATIVE EXEMPTION AMOUNT.

6 (C) IF, UNDER SUBSECTION (3)(f) OF THIS SECTION, THE STATE  
7 TREASURER NOTIFIES THE ADMINISTRATOR THAT NOT ALL COUNTIES HAVE  
8 RECEIVED REIMBURSEMENT WARRANTS FOR LOST PROPERTY TAX REVENUE  
9 FOR THE AMOUNTS SPECIFIED IN SUBSECTION (3)(d) OF THIS SECTION, THEN  
10 BEGINNING WITH THE PROPERTY TAX YEAR COMMENCING ON JANUARY 1  
11 THAT FOLLOWS THE APRIL 16 NOTICE, AND FOR ALL PROPERTY TAX YEARS  
12 THEREAFTER, THE AMOUNT OF THE EXEMPTION IN SUBSECTION (1) OF THIS  
13 SECTION IS THE ALTERNATIVE EXEMPTION AMOUNT. THEREAFTER, THE  
14 ALTERNATIVE EXEMPTION IS ADJUSTED BIENNIALLY TO ACCOUNT FOR  
15 INFLATION IN THE SAME MANNER AS SET FORTH IN SUBSECTION  
16 (2)(b)(I)(A) OF THIS SECTION, AND THE ADMINISTRATOR SHALL CERTIFY  
17 THE AMOUNT OF THE EXEMPTION FOR THE NEXT TWO-YEAR CYCLE AND  
18 PUBLISH THE AMOUNT ON THE WEBSITE MAINTAINED BY THE DIVISION OF  
19 PROPERTY TAXATION IN THE DEPARTMENT OF LOCAL AFFAIRS.

20 (3) (a) (I) FOR THE PROPERTY TAX YEAR COMMENCING ON  
21 JANUARY 1, 2021, EACH ASSESSOR SHALL CALCULATE THE AGGREGATE  
22 VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY WITHIN THE COUNTY  
23 BASED ON THE PROPERTY THAT IS LISTED ON SCHEDULES FOR THE  
24 PROPERTY TAX YEAR WITH A TOTAL VALUE THAT IS MORE THAN SEVEN  
25 THOUSAND NINE HUNDRED DOLLARS AND LESS THAN OR EQUAL TO FIFTY  
26 THOUSAND DOLLARS.

27 (II) FOR THE PROPERTY TAX YEAR COMMENCING ON JANUARY 1,

1 2021, EACH TREASURER SHALL CALCULATE THE TOTAL PROPERTY TAX  
2 REVENUES LOST BY ALL LOCAL GOVERNMENTAL ENTITIES WITHIN THE  
3 TREASURER'S COUNTY BASED ON THE EXEMPT BUSINESS PERSONAL  
4 PROPERTY AMOUNT CALCULATED IN ACCORDANCE WITH SUBSECTION  
5 (3)(a)(I) OF THIS SECTION.

6 (b) NO LATER THAN FEBRUARY 1, 2022, AND EACH FEBRUARY 1  
7 THEREAFTER, THE ADMINISTRATOR SHALL CALCULATE THE PERCENTAGE  
8 INCREASE OR DECREASE IN TOTAL VALUATION OF BUSINESS PERSONAL  
9 PROPERTY IN THE STATE OVER THE PRIOR TWO PROPERTY TAX YEARS. THE  
10 ADMINISTRATOR SHALL PUBLISH THE PERCENTAGE INCREASE OR DECREASE  
11 ON THE WEBSITE MAINTAINED BY THE DIVISION OF PROPERTY TAXATION  
12 IN THE DEPARTMENT OF LOCAL AFFAIRS.

13 (c) (I) FOR THE PROPERTY TAX YEAR COMMENCING ON JANUARY  
14 1, 2022, EACH ASSESSOR SHALL CALCULATE AN ESTIMATE OF THE  
15 AGGREGATE VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY FOR THE  
16 COUNTY AND EACH LOCAL GOVERNMENTAL ENTITY LOCATED WITHIN THE  
17 COUNTY THAT IS EQUAL TO THE APPLICABLE BASELINE EXEMPTION TOTAL  
18 ADJUSTED BY THE GROWTH FACTOR FOR EACH PROPERTY TAX YEAR  
19 COMMENCING ON AND AFTER JANUARY 1, 2022.

20 (II) FOR THE PROPERTY TAX YEARS COMMENCING ON JANUARY 1,  
21 2022, AND EACH YEAR THEREAFTER, EACH TREASURER SHALL CALCULATE  
22 THE TOTAL PROPERTY TAX REVENUES LOST BY ALL LOCAL GOVERNMENTAL  
23 ENTITIES WITHIN THE TREASURER'S COUNTY BASED ON THE ESTIMATE OF  
24 EXEMPT BUSINESS PERSONAL PROPERTY AMOUNT CALCULATED IN  
25 ACCORDANCE WITH SUBSECTION (3)(c)(I) OF THIS SECTION.

26 (III) AS USED IN THIS SUBSECTION (3)(c), UNLESS THE CONTEXT  
27 OTHERWISE REQUIRES:

1 (A) "BASELINE EXEMPTION TOTAL" MEANS THE AGGREGATE  
2 VALUE OF THE EXEMPT BUSINESS PERSONAL PROPERTY CALCULATED IN  
3 ACCORDANCE WITH SUBSECTION (3)(a)(I) OF THIS SECTION FOR A COUNTY  
4 OR A LOCAL GOVERNMENTAL ENTITY LOCATED WITHIN THE COUNTY AS OF  
5 JANUARY 1, 2021.

6 (B) "GROWTH FACTOR" MEANS THE PERCENTAGE INCREASE OR  
7 DECREASE THAT THE ADMINISTRATOR PUBLISHES FOR A PROPERTY TAX  
8 YEAR IN ACCORDANCE WITH SUBSECTION (3)(b) OF THIS SECTION.

9 (d) NO LATER THAN MARCH 1, 2022, AND EACH MARCH 1  
10 THEREAFTER, EACH TREASURER SHALL REPORT THE AMOUNT SPECIFIED IN  
11 SUBSECTION (3)(a)(II) OR (3)(c)(II) OF THIS SECTION, AS APPLICABLE, AND  
12 THE BASIS FOR THE AMOUNT TO THE ADMINISTRATOR, AND THE  
13 ADMINISTRATOR MAY REQUIRE A TREASURER TO PROVIDE ADDITIONAL  
14 INFORMATION AS NECESSARY TO EVALUATE THE AMOUNT REPORTED. THE  
15 ADMINISTRATOR SHALL CONFIRM THAT THE REPORTED AMOUNT IS  
16 CORRECT OR RECTIFY THE AMOUNT, IF NECESSARY. THE ADMINISTRATOR  
17 SHALL THEN FORWARD THE CORRECT AMOUNT FOR EACH COUNTY TO THE  
18 STATE TREASURER TO ENABLE THE STATE TREASURER TO ISSUE A  
19 REIMBURSEMENT WARRANT TO EACH TREASURER IN ACCORDANCE WITH  
20 SUBSECTION (3)(e) OF THIS SECTION.

21 (e) NO LATER THAN APRIL 15, 2022, AND APRIL 15 OF EACH YEAR  
22 THEREAFTER, THE STATE TREASURER SHALL ISSUE A WARRANT TO BE PAID  
23 UPON DEMAND FROM THE GENERAL FUND TO EACH TREASURER THAT IS  
24 EQUAL TO THE AMOUNT SPECIFIED BY THE ADMINISTRATOR FOR THE  
25 COUNTY UNDER SUBSECTION (3)(d) OF THIS SECTION. EACH TREASURER  
26 SHALL DISTRIBUTE THE TOTAL AMOUNT RECEIVED FROM THE STATE  
27 TREASURER TO THE LOCAL GOVERNMENTAL ENTITIES WITHIN THE

1       TREASURER'S COUNTY AS IF THE REVENUES HAD BEEN REGULARLY PAID AS  
2       PROPERTY TAX. WHEN DISTRIBUTING THE MONEY, THE TREASURER SHALL  
3       PROVIDE EACH LOCAL GOVERNMENTAL ENTITY WITH A STATEMENT OF THE  
4       AMOUNT DISTRIBUTED TO THE LOCAL GOVERNMENTAL ENTITY THAT  
5       REPRESENTS THE REIMBURSEMENT RECEIVED UNDER THIS SUBSECTION  
6       (3)(e).

7               (f) NO LATER THAN MAY 1, 2022, AND MAY 1 OF EACH YEAR  
8       THEREAFTER, THE STATE TREASURER SHALL NOTIFY THE ADMINISTRATOR  
9       WHETHER ALL COUNTIES HAVE RECEIVED A REIMBURSEMENT WARRANT  
10       FOR LOST PROPERTY TAX REVENUE FOR THE AMOUNTS SPECIFIED IN  
11       SUBSECTION (3)(d) OF THIS SECTION.

12               (g) THIS SUBSECTION (3) DOES NOT APPLY IF THE AMOUNT OF THE  
13       EXEMPTION CREATED IN SUBSECTION (1) OF THIS SECTION IS THE  
14       ALTERNATIVE EXEMPTION AMOUNT AS REQUIRED BY SUBSECTION  
15       (2)(b)(I)(C) OF THIS SECTION.

16               **SECTION 7.** In Colorado Revised Statutes, 39-5-128, **add** (1.5)  
17       as follows:

18               **39-5-128. Certification of valuation for assessment.**  
19       (1.5) ALONG WITH THE CERTIFICATION REQUIRED BY SUBSECTION (1) OF  
20       THIS SECTION, THE ASSESSOR SHALL ALSO PROVIDE:

21               (a) THE AGGREGATE VALUE OF EXEMPT BUSINESS PERSONAL  
22       PROPERTY SPECIFIED IN SECTION 39-3-119.5 (3)(a)(I) FOR THE PROPERTY  
23       TAX YEAR COMMENCING ON JANUARY 1, 2021, WITHIN THE TERRITORIAL  
24       LIMITS OF EACH TOWN, CITY, SCHOOL DISTRICT, OR SPECIAL DISTRICT; AND

25               (b) THE AMOUNT CALCULATED UNDER SECTION 39-3-119.5  
26       (3)(c)(I) FOR THE ESTIMATE OF THE AGGREGATE VALUE OF EXEMPT  
27       BUSINESS PERSONAL PROPERTY FOR EACH PROPERTY TAX YEAR BEGINNING

1 WITH THE PROPERTY TAX YEAR COMMENCING ON JANUARY 1, 2022,  
2 WITHIN THE TERRITORIAL LIMITS OF EACH TOWN, CITY, SCHOOL DISTRICT,  
3 OR SPECIAL DISTRICT.

4 **SECTION 8.** In Colorado Revised Statutes, 39-26-102, **amend**  
5 (15)(a)(I); and **add** (15)(b.5) as follows:

6 **39-26-102. Definitions.** As used in this article 26, unless the  
7 context otherwise requires:

8 (15) (a) (I) "Tangible personal property" means corporeal personal  
9 property. THE TERM EMBRACES ALL GOODS, WARES, MERCHANDISE,  
10 PRODUCTS AND COMMODITIES, AND ALL TANGIBLE OR CORPOREAL THINGS  
11 AND SUBSTANCES THAT ARE DEALT IN AND CAPABLE OF BEING POSSESSED  
12 AND EXCHANGED, EXCEPT AS SET FORTH IN THIS SUBSECTION (15). The  
13 term shall not be construed to include newspapers, as legally defined by  
14 section 24-70-102, ~~C.R.S.~~, preprinted newspaper supplements that  
15 become attached to or inserted in and distributed with such newspapers,  
16 or direct mail advertising materials that are distributed in Colorado by any  
17 person engaged solely and exclusively in the business of providing  
18 cooperative direct mail advertising; except that, commencing March 1,  
19 2010, for purposes of the state sales or use tax, "tangible personal  
20 property" shall include direct mail advertising materials that are  
21 distributed in Colorado by any person engaged solely and exclusively in  
22 the business of providing cooperative direct mail advertising.

23 (b.5) (I) "TANGIBLE PERSONAL PROPERTY" INCLUDES DIGITAL  
24 GOODS. THE METHOD OF DELIVERY DOES NOT IMPACT THE TAXABILITY OF  
25 A SALE OF TANGIBLE PERSONAL PROPERTY. EXAMPLES OF METHODS USED  
26 TO DELIVER TANGIBLE PERSONAL PROPERTY UNDER CURRENT  
27 TECHNOLOGY INCLUDE BUT ARE NOT LIMITED TO COMPACT DISC,

1 ELECTRONIC DOWNLOAD, AND INTERNET STREAMING.

2 (II) AS USED IN THIS SUBSECTION (15)(b.5), "DIGITAL GOOD"  
3 MEANS ANY ITEM OF TANGIBLE PERSONAL PROPERTY THAT IS DELIVERED  
4 OR STORED BY DIGITAL MEANS, INCLUDING BUT NOT LIMITED TO VIDEO,  
5 MUSIC, OR ELECTRONIC BOOKS.

6 **SECTION 9.** In Colorado Revised Statutes, 39-26-104, **amend**  
7 (1)(a) as follows:

8 **39-26-104. Property and services taxed - definitions - repeal.**

9 (1) There is levied and there shall be collected and paid a tax in the  
10 amount stated in section 39-26-106 as follows:

11 (a) On the purchase price paid or charged upon all sales and  
12 purchases of tangible personal property at retail, INCLUDING, BUT NOT  
13 LIMITED TO, THE AMOUNT CHARGED FOR MAINFRAME COMPUTER ACCESS,  
14 PHOTOCOPYING, AND PACKING AND CRATING;

15 **SECTION 10.** In Colorado Revised Statutes, 39-26-105, **add**  
16 (1)(d)(IV) as follows:

17 **39-26-105. Vendor liable for tax - definitions - repeal.**

18 (1) (d) (IV) BEGINNING JANUARY 1, 2022, A RETAILER IS NOT PERMITTED  
19 TO RETAIN ANY MONEY TO COVER THE RETAILER'S EXPENSES IN  
20 COLLECTING AND REMITTING TAX IN ACCORDANCE WITH THIS SECTION FOR  
21 ANY FILING PERIOD THAT THE RETAILER'S TOTAL TAXABLE SALES WERE  
22 GREATER THAN ONE MILLION DOLLARS.

23 **SECTION 11.** In Colorado Revised Statutes, 39-29-102, **amend**  
24 the introductory portion and (3)(a) as follows:

25 **39-29-102. Definitions.** As used in this ~~article~~ ARTICLE 29, unless  
26 the context otherwise requires:

27 (3) "Gross income" means:

1 (a) For oil and gas, the net amount realized by the taxpayer for  
2 sale of the oil or gas, whether the sale occurs at the wellhead or after  
3 transportation, manufacturing, and processing of the product. Net amount  
4 shall be calculated PURSUANT TO RULES PROMULGATED BY THE  
5 DEPARTMENT OF REVENUE on the basis of the gross lease revenues, less  
6 deductions for ~~any~~ DIRECT COSTS ACTUALLY PAID BY THE TAXPAYER FOR  
7 transportation, manufacturing, and processing ~~costs borne by the taxpayer~~  
8 OF THE PRODUCT. Where the parties to the sale are related parties and the  
9 sales price is lower than the price for which that oil or gas could  
10 otherwise have been sold to a ready, willing, and able buyer and where  
11 the taxpayer was legally able to sell the oil or gas to such a buyer, gross  
12 income shall be determined by reference to comparable arms-length sales  
13 of like kind, quality, and quantity in the same field or area, less  
14 deductions for transportation, manufacturing, and processing done prior  
15 to the sale. For purposes of this ~~paragraph (a)~~ SUBSECTION (3)(a), "related  
16 parties" shall be defined by the department of revenue pursuant to rules  
17 and regulations.

18 **SECTION 12.** In Colorado Revised Statutes, 39-29-106, **amend**  
19 (2)(b), (3), and (4); and **add** (3.5) as follows:

20 **39-29-106. Tax on the severance of coal.** (2) (b) On and after  
21 July 1, 1999, BUT BEFORE JANUARY 1, 2026, no tax provided for in  
22 subsection (1) of this section ~~shall be~~ IS imposed on the first:

23 (I) Three hundred thousand tons of coal produced in each quarter  
24 of the ~~taxable year~~ 2021 TAXABLE YEAR;

25 (II) TWO HUNDRED FORTY THOUSAND TONS OF COAL PRODUCED IN  
26 EACH QUARTER OF THE 2022 TAXABLE YEAR;

27 (III) ONE HUNDRED EIGHTY THOUSAND TONS OF COAL PRODUCED

1 IN EACH QUARTER OF THE 2023 TAXABLE YEAR;

2 (IV) ONE HUNDRED TWENTY THOUSAND TONS OF COAL PRODUCED  
3 IN EACH QUARTER OF THE 2024 TAXABLE YEAR; AND

4 (V) SIXTY THOUSAND TONS OF COAL PRODUCED IN EACH QUARTER  
5 OF THE 2025 TAXABLE YEAR.

6 (3) FOR TAXABLE YEARS COMMENCING PRIOR TO JANUARY 1,  
7 2026, there ~~shall be~~ IS allowed, as a credit against the tax imposed by  
8 subsection (1) of this section, an amount equal to ~~fifty percent~~ THE  
9 PERCENTAGE SET FORTH IN SUBSECTION (3.5) OF THIS SECTION of such tax  
10 for coal produced from underground mines.

11 (3.5) THE PERCENTAGE FOR THE CREDITS ALLOWED UNDER  
12 SUBSECTIONS (3) AND (4) OF THIS SECTION IS EQUAL TO:

- 13 (a) FIFTY PERCENT FOR THE 2021 TAXABLE YEAR;
- 14 (b) FORTY PERCENT FOR THE 2022 TAXABLE YEAR;
- 15 (c) THIRTY PERCENT FOR THE 2023 TAXABLE YEAR;
- 16 (d) TWENTY PERCENT FOR THE 2024 TAXABLE YEAR; AND
- 17 (e) TEN PERCENT FOR THE 2025 TAXABLE YEAR.

18 (4) FOR TAXABLE YEARS COMMENCING PRIOR TO JANUARY 1,  
19 2026, there ~~shall be~~ IS allowed, as an additional credit against the tax  
20 imposed by subsection (1) of this section, an amount equal to ~~fifty percent~~  
21 THE PERCENTAGE SET FORTH IN SUBSECTION (3.5) OF THIS SECTION of such  
22 tax for the production of lignitic coal, as such coal is classified by the  
23 American society for testing and materials (ASTM) in their D 388  
24 standard for the classification of coals by rank.

25 **SECTION 13.** In Colorado Revised Statutes, 39-29-108, **amend**  
26 (2)(b); and **add** (2)(d) as follows:

27 **39-29-108. Allocation of severance tax revenues - definitions**

1 - **repeal.** (2) (b) EXCEPT AS SET FORTH IN SUBSECTION (2)(d) OF THIS  
2 SECTION, of the total gross receipts realized from the severance taxes  
3 imposed on minerals and mineral fuels under the provisions of this article  
4 after June 30, 2017, fifty percent shall be credited to the state severance  
5 tax trust fund created by section 39-29-109, and fifty percent shall be  
6 credited to the local government severance tax fund created by section  
7 39-29-110.

8 (d) THE STATE TREASURER SHALL CREDIT AN AMOUNT OF THE  
9 INCREASED COAL TAX THAT IS ATTRIBUTABLE TO THE REDUCTION OR  
10 DISCONTINUATION OF THE EXEMPTION IN SECTION 39-29-106 (2)(b) AND  
11 THE CREDITS IN SECTION 39-29-106 (3) AND (4) TO THE JUST TRANSITION  
12 CASH FUND CREATED IN SECTION 8-83-504 (1).

13 **SECTION 14.** In Colorado Revised Statutes, 8-83-504, **amend**  
14 (1) as follows:

15 **8-83-504. Just transition cash fund.** (1) There is hereby created  
16 in the state treasury the just transition cash fund. The fund consists of  
17 money credited to the fund IN ACCORDANCE WITH SECTION 39-29-108  
18 (2)(d) and any other money that the general assembly may appropriate or  
19 transfer to the fund. The state treasurer shall credit all interest and income  
20 derived from the deposit and investment of money in the fund to the fund.  
21 Subject to annual appropriation by the general assembly, the office may  
22 expend money from the fund for purposes specified in this part 5,  
23 including paying for the office's direct and indirect costs in administering  
24 this part 5.

25 **SECTION 15. Appropriation.** (1) For the 2021-22 state fiscal  
26 year, \$274,142 is appropriated to the department of revenue. This  
27 appropriation is from the general fund. To implement this act, the

1 department may use this appropriation as follows:

2 (a) \$87,250 for use by the taxation business group for personal  
3 services related to taxation services, which amount is based on an  
4 assumption that the group will require an additional 1.3 FTE;

5 (b) \$7,955 for use by the taxation business group for operating  
6 expenses related to taxation services;

7 (c) \$178,425 for tax administration IT system (GenTax) support;

8 and

9 (d) \$512 for the purchase of document management services.

10 (2) For the 2021-22 state fiscal year, \$512 is appropriated to the  
11 department of personnel. This appropriation is from reappropriated funds  
12 received from the department of revenue under subsection (1)(d) of this  
13 section. To implement this act, the department of personnel may use this  
14 appropriation to provide document management services for the  
15 department of revenue.

16 (3) For the 2021-22 state fiscal year, \$138,500 is appropriated to  
17 the department of local affairs for use by the executive director's office.  
18 This appropriation is from the general fund. To implement this act, the  
19 department may use this appropriation for the purchase of information  
20 technology services.

21 (4) For the 2021-22 state fiscal year, \$138,500 is appropriated to  
22 the office of the governor for use by the office of information technology.  
23 This appropriation is from reappropriated funds received from the  
24 department of local affairs under subsection (3) of this section. To  
25 implement this act, the office may use this appropriation to provide  
26 information technology services for the department of local affairs.

27 **SECTION 16. Severability.** If any section of this House Bill

1 21-1312, or the application thereof to any person or circumstance is held  
2 invalid, such invalidity does not affect other provisions, applications, or  
3 sections of this House Bill 21-1312 that can be given effect without the  
4 invalid provision, application, or section, and to this end the provisions,  
5 applications, and sections of this House Bill 21-1312 are declared to be  
6 severable.

7 **SECTION 17. Effective date.** This act takes effect July 1, 2021;  
8 except that section 11 of this act takes effect on January 1, 2022.

9 **SECTION 18. Safety clause.** The general assembly hereby finds,  
10 determines, and declares that this act is necessary for the immediate  
11 preservation of the public peace, health, or safety.