

First Extraordinary Session
Seventy-fifth General Assembly
STATE OF COLORADO

REDRAFT

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Double underlining
denotes changes from
prior draft

DRAFT

LLS NO. 25B-0027.01 Rebecca Bayetti x4348

SENATE BILL

SENATE SPONSORSHIP

Kirkmeyer and Bright,

HOUSE SPONSORSHIP

Garcia Sander,

BILL TOPIC: Income Tax Credit Adjustment

A BILL FOR AN ACT

101 **CONCERNING THE ADJUSTMENT OF CERTAIN INCOME TAX CREDITS,**
102 **AND, IN CONNECTION THEREWITH, AUTHORIZING THE**
103 **DEPARTMENT OF REVENUE TO SELL CERTAIN INCOME TAX**
104 **CREDITS TO QUALIFIED TAXPAYERS AND TEMPORARILY**
105 **SUSPENDING OR PRORATING INCOME TAX CREDITS BASED ON**
106 **REVENUE ESTIMATES.**

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>.)

Section 3 of the bill creates a mechanism for temporarily

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

suspending or prorating all income tax credits, excluding the Colorado affordable housing tax credit and the earned income tax credits (income tax credits), based on estimates of the state's revenue. Beginning with the December 2025 quarterly revenue forecast, each quarterly revenue forecast in June, September, or December, and any interim revenue estimate given between quarterly forecasts, must include 2 estimates of the amount of excess state revenues in relation to the income tax credits available. Excess state revenues, for purposes of these estimates, means the total amount of revenue collected by the state during the state fiscal year in excess of the limitation on state fiscal year spending imposed by the Taxpayer's Bill of Rights that voters statewide have not authorized the state to retain and spend, less: The reimbursement to local governments to offset the reduction in property taxes resulting from property tax exemptions for qualifying seniors, veterans with disabilities, and spouses of veterans who died in the line of duty or as a result of a service-related injury or disease; the reimbursement to local governments to offset the reduction in property taxes resulting from the reduced valuation for assessment of qualified-senior primary residences; and any temporary income tax rate reduction in effect. These estimates are:

- An estimate of the amount of excess state revenues in the state fiscal year during which the income tax year begins, assuming all income tax credits are available in the following income tax year; and
- An estimate of the amount of excess state revenues in the state fiscal year during which the income tax year begins, assuming no income tax credits are available in the following income tax year.

The availability of income tax credits for the applicable income tax year is determined by which of these estimates results in the least amount of excess revenue. If the most recent quarterly June, September, or December revenue forecast, or the most recent interim revenue estimate, shows that:

- The estimate without income tax credits results in the least amount of excess revenue, then no income tax credits are available for the applicable income tax year; or
- The estimate with income tax credits results in the least amount of excess revenue, then all income tax credits are available for the applicable income tax year and are prorated so that the maximum total amount of each income tax credit claimed by all taxpayers claiming that credit does not exceed the amount equal to the estimated excess state revenues divided by the total number of income tax credits available during the applicable income tax year.

The bill also makes the family affordability tax credit nonrefundable beginning in income tax year 2025 (**section 2**).

Lastly, the bill alters the following refundable income tax credits:

- The credit for the sale of new, electric-powered lawn equipment for income tax years commencing on or after January 1, 2024, but before January 1, 2027. Under existing law, this credit is allowed to qualified retailers who sell new, electric-powered lawn equipment and offer a discount on the purchase price (**section 4**);
- The credit for the installation of heat pump technology or a thermal energy network for income tax years commencing on or after January 1, 2024, but before January 1, 2033. Under existing law, this credit is allowed to eligible taxpayers who meet certain industry criteria and install heat pump technology or a thermal energy network, if the eligible taxpayer provides a discount from the amount charged for installation (**section 5**); and
- The credit for the sale of new qualified electric bicycles for income tax years commencing on or after January 1, 2024, but before January 1, 2033. Under existing law, this credit is allowed to qualified retailers who sell a qualified electric bicycle and offer a discount on the bicycle purchase price (**section 6**).

The bill modifies the 3 income tax credits so that income tax year 2025 is the last tax year that each credit can be claimed as it currently exists and allows the department of revenue (department) to sell the income tax credits in state fiscal year 2025-26 to taxpayers who meet the existing eligibility requirements (qualified taxpayers). In state fiscal year 2025-26, the department is authorized to issue up to \$40 million in income tax credit certificates to qualified taxpayers, subject to procedures established by the department. The proceeds of these sales are credited to the general fund. A qualified taxpayer may claim the full amount of tax credit against its income tax liability in income tax year 2030; except that the amount of the credit claimed cannot exceed the taxpayer's income tax liability for a given year. The unused amount of the credit carries forward and may be claimed in subsequent years; except that a credit cannot be carried over to any taxable year that begins after December 31, 2050.

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 Taxpayer's Bill of Rights (TABOR) is a critical
5 constitutional safeguard that ensures Colorado taxpayers are protected

1 from excessive taxation and that government revenue remains within
2 responsible limits;

3 (b) TABOR imposes strict limitations on the ability of the state
4 and local governments to raise taxes, requires voter approval for any new
5 tax or tax increase, and ensures that revenue is not collected in excess of
6 the state's allowed cap;

7 (c) Colorado's government is committed to maintaining the
8 principles of fiscal responsibility and transparency, ensuring that taxpayer
9 dollars are spent efficiently and effectively;

10 (d) Pausing tax credits is allowable up to the constitutional
11 mandated cap and may constitute a temporary reduction in expenditures
12 rather than an increase in taxes, as most tax credits are considered a form
13 of expenditure by the state, reducing the amount of tax revenue that
14 would otherwise be collected; and

15 (e) Such a pause in tax credits does not increase the overall tax
16 burden on taxpayers and does not require voter approval under TABOR,
17 as it is consistent with the constitutional intent to limit state spending
18 rather than to impose new taxes or tax increases.

19 (2) Therefore, the general assembly finds and declares that the
20 temporary suspension or reduction of tax credits is within the legal
21 authority of the general assembly and does not constitute a violation of
22 TABOR, as it represents a reduction in state expenditures rather than an
23 increase in taxes.

24 **SECTION 2.** In Colorado Revised Statutes, 39-22-130, **amend**
25 (10) as follows:

26 **39-22-130. Family affordability tax credit - tax preference**
27 **performance statement - legislative declaration - definitions - repeal.**

1 (10) (a) (I) ~~The~~ FOR THE INCOME TAX YEAR COMMENCING ON OR AFTER
2 JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2025, THE amount of the
3 credit allowed under this section that exceeds the resident individual's
4 income taxes due is refunded to the individual.

5 (II) THIS SUBSECTION (10)(a) IS REPEALED, EFFECTIVE JANUARY
6 1, 2027.

7 (b) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
8 1, 2025, BUT BEFORE JANUARY 1, 2034, THE AMOUNT OF THE CREDIT
9 ALLOWED UNDER THIS SECTION THAT EXCEEDS THE RESIDENT
10 INDIVIDUAL'S INCOME TAXES DUE IS NOT REFUNDED TO THE INDIVIDUAL.

11 **SECTION 3.** In Colorado Revised Statutes, **add** 39-22-131 as
12 follows:

13 **39-22-131. Temporary tax credit suspension - prorating -**
14 **insufficient revenues - rules - definitions.** (1) AS USED IN THIS SECTION,
15 UNLESS THE CONTEXT OTHERWISE REQUIRES:

16 (a) "APPLICABLE INCOME TAX YEAR" MEANS THE INCOME TAX
17 YEAR FOLLOWING THE JUNE, SEPTEMBER, AND DECEMBER REVENUE
18 FORECASTS PREPARED BY THE LEGISLATIVE COUNCIL STAFF AND THE
19 OFFICE OF STATE PLANNING AND BUDGETING AND ANY INTERIM REVENUE
20 ESTIMATE.

21 (b) "EXCESS STATE REVENUES" MEANS THE TOTAL AMOUNT OF
22 REVENUE COLLECTED BY THE STATE DURING THE STATE FISCAL YEAR IN
23 EXCESS OF THE LIMITATION ON STATE FISCAL YEAR SPENDING IMPOSED BY
24 SECTION 20 (7)(a) OF ARTICLE X OF THE STATE CONSTITUTION THAT
25 VOTERS STATEWIDE HAVE NOT AUTHORIZED THE STATE TO RETAIN AND
26 SPEND AND THAT THE STATE IS REQUIRED TO REFUND UNDER SECTION 20
27 (7)(d) OF ARTICLE X OF THE STATE CONSTITUTION, INCLUDING ANY

1 ADJUSTMENT FOR AMOUNTS SPECIFIED IN SECTION 24-77-103.7 OR
2 24-77-103.8, LESS THE MAXIMUM AMOUNTS THAT MAY BE REFUNDED
3 PURSUANT TO SECTIONS 39-1-104.6, 39-3-209, AND 39-22-627 FOR THE
4 PROPERTY TAX AND INCOME TAX YEARS THAT COMMENCED DURING THE
5 STATE FISCAL YEAR.

6 (c) "INCOME TAX CREDIT" MEANS ANY CREDIT ALLOWED TO A
7 TAXPAYER AGAINST THE INCOME TAXES IMPOSED BY THIS ARTICLE 22.

8 "INCOME TAX CREDIT" DOES NOT INCLUDE:

9 (I) THE COLORADO AFFORDABLE HOUSING TAX CREDIT ALLOWED
10 IN PART 21 OF THIS ARTICLE 22; AND

11 (II) THE EARNED INCOME TAX CREDITS ALLOWED IN SECTIONS
12 39-22-123 AND 39-22-123.5.

13 (d) "INTERIM REVENUE ESTIMATE" MEANS AN UPDATED REVENUE
14 ESTIMATE IN THE TIME BETWEEN TWO ESTIMATES MADE BY THE
15 GOVERNOR PURSUANT TO SECTION 24-75-201.3 (2), WHICH INTERIM
16 ESTIMATE IS PREPARED BY THE GOVERNOR, DESIGNATED BY THE
17 GOVERNOR AS AN INTERIM REVENUE ESTIMATE THAT IS AN UPDATE TO THE
18 MOST RECENT PRIOR REVENUE ESTIMATE, AND TRANSMITTED TO THE
19 GENERAL ASSEMBLY.

20 (e) "STATE REVENUE ESTIMATE WITH FULL INCOME TAX CREDITS"
21 MEANS AN ESTIMATE OF THE AMOUNT OF EXCESS STATE REVENUES IN THE
22 STATE FISCAL YEAR DURING WHICH THE INCOME TAX YEAR BEGINS.
23 ASSUMING THAT ALL INCOME TAX CREDITS ARE FULLY AVAILABLE FOR THE
24 APPLICABLE INCOME TAX YEAR.

25 (f) "STATE REVENUE ESTIMATE WITHOUT INCOME TAX CREDITS"
26 MEANS AN ESTIMATE OF THE AMOUNT OF EXCESS STATE REVENUES IN THE
27 STATE FISCAL YEAR DURING WHICH THE INCOME TAX YEAR BEGINS.

1 ASSUMING THAT NO INCOME TAX CREDITS ARE AVAILABLE FOR THE
2 APPLICABLE INCOME TAX YEAR.

3 (2) (a) BEGINNING WITH THE QUARTERLY DECEMBER 2025
4 FORECAST, AND EACH QUARTERLY JUNE, SEPTEMBER, OR DECEMBER
5 REVENUE FORECAST THEREAFTER, THE LEGISLATIVE COUNCIL STAFF AND
6 THE OFFICE OF STATE PLANNING AND BUDGETING SHALL INCLUDE A STATE
7 REVENUE ESTIMATE WITH COMPLETE INCOME TAX CREDITS AND A STATE
8 REVENUE ESTIMATE WITHOUT INCOME TAX CREDITS.

9 (b) THE GOVERNOR SHALL INCLUDE IN EACH INTERIM REVENUE
10 ESTIMATE A STATE REVENUE ESTIMATE WITH COMPLETE INCOME TAX
11 CREDITS AND A STATE REVENUE ESTIMATE WITHOUT INCOME TAX CREDITS.

12 (3) NOTWITHSTANDING ANY PROVISION OF LAW TO THE
13 CONTRARY, THE AVAILABILITY OF INCOME TAX CREDITS FOR THE
14 APPLICABLE INCOME TAX YEAR IS DETERMINED BY WHICH INCOME TAX
15 CREDIT ESTIMATE REQUIRED BY SUBSECTION (2) OF THIS SECTION RESULTS
16 IN THE LEAST AMOUNT OF EXCESS STATE REVENUE. IF THE MOST RECENT
17 QUARTERLY JUNE, SEPTEMBER, OR DECEMBER REVENUE FORECAST, AS
18 PREPARED BY THE LEGISLATIVE COUNCIL STAFF AND THE OFFICE OF STATE
19 PLANNING AND BUDGETING, OR THE MOST RECENT INTERIM REVENUE
20 ESTIMATE, SHOWS THAT:

21 (a) THE STATE REVENUE ESTIMATE WITHOUT INCOME TAX CREDITS
22 RESULTS IN THE LEAST AMOUNT OF EXCESS STATE REVENUE OF THE
23 INCOME TAX CREDIT ESTIMATES, THEN NO INCOME TAX CREDITS ARE
24 AVAILABLE FOR THE APPLICABLE INCOME TAX YEAR; OR

25 (b) THE STATE REVENUE ESTIMATE WITH FULL INCOME TAX
26 CREDITS RESULTS IN THE LEAST AMOUNT OF EXCESS STATE REVENUE OF
27 THE INCOME TAX CREDIT ESTIMATES, THEN ALL INCOME TAX CREDITS ARE

1 AVAILABLE FOR THE APPLICABLE INCOME TAX YEAR AND ARE PRORATED
2 SO THAT THE MAXIMUM TOTAL AMOUNT OF EACH INCOME TAX CREDIT
3 CLAIMED BY ALL TAXPAYERS CLAIMING THAT CREDIT DOES NOT EXCEED
4 THE AMOUNT EQUAL TO THE ESTIMATED EXCESS STATE REVENUE DIVIDED
5 BY THE TOTAL NUMBER OF INCOME TAX CREDITS AVAILABLE DURING THE
6 APPLICABLE INCOME TAX YEAR OR THE AMOUNT.

7 **SECTION 4.** In Colorado Revised Statutes, 39-22-550, **amend**
8 (3)(a), (4), (5), and (6); and **add** (4.3) and (4.5) as follows:

9 **39-22-550. Tax credit for reducing emissions from certain**
10 **lawn equipment - sale of tax credits - authorization to issue - tax**
11 **preference performance statement - legislative declaration -**
12 **definitions - report - repeal.** (3) (a) For income tax years commencing
13 on or after January 1, 2024, but before ~~January 1, 2027~~ JANUARY 1, 2026,
14 a retailer qualified pursuant to subsection (3)(e)(II) of this section is
15 allowed a tax credit against the tax imposed pursuant to this article 22 in
16 an amount equal to thirty-three percent of the aggregate purchase price
17 for all retail sales of new, electric-powered lawn equipment that the
18 qualified retailer sold in the state during the tax year.

19 (4) If a credit authorized by SUBSECTION (3) OF this section
20 exceeds the income tax due on the income of the qualified retailer for the
21 taxable year, the excess credit may not be carried forward and must be
22 refunded to the qualified retailer.

23 (4.3) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT:

24 (a) THE TAX CREDITS AUTHORIZED BY SUBSECTION (4.5) OF THIS
25 SECTION AS A METHOD TO PROVIDE MONEY TO THE GENERAL FUND ARE
26 AVAILABLE ONLY TO QUALIFIED RETAILERS THAT INCUR INCOME TAX
27 LIABILITY IN THE STATE;

1 (b) THE TAX CREDITS CAN ONLY BE USED BY A QUALIFIED
2 RETAILER TO OFFSET INCOME TAX LIABILITY ACTUALLY INCURRED BY THE
3 RETAILER;

4 (c) THE TAX CREDITS ARE NOT REFUNDABLE AND DO NOT IMPOSE
5 AN OBLIGATION OF PAYMENT IN ANY FUTURE YEAR UPON THE STATE;

6 (d) THE USE OF PROCEEDS FROM THE SALE OF THE TAX CREDITS
7 FOR THE GENERAL FUND ALLOWS THE STATE TO AUGMENT THE GENERAL
8 FUND THROUGH THE USE OF FUTURE TAX EXPENDITURES AND THEREFORE:

9 (I) DOES NOT REQUIRE THE STATE TO BORROW MONEY, EXTEND OR
10 PLEDGE THE STATE'S CREDIT, OR OBLIGATE THE STATE TO MAKE FUTURE
11 PAYMENTS FROM STATE REVENUES; AND

12 (II) DOES NOT OTHERWISE CREATE ANY MULTIPLE FISCAL YEAR
13 DIRECT OR INDIRECT DISTRICT DEBT OR OTHER FINANCIAL OBLIGATION
14 WHATSOEVER FOR PURPOSES OF SECTION 20 (4)(a) OF ARTICLE X OF THE
15 STATE CONSTITUTION.

16 (4.5) (a) A QUALIFIED RETAILER MAY PURCHASE TAX CREDITS
17 FROM THE DEPARTMENT IN ACCORDANCE WITH THIS SECTION AND MAY
18 APPLY THE TAX CREDITS AGAINST ITS LIABILITY FOR THE TAX IMPOSED
19 PURSUANT TO THIS ARTICLE 22, IN ACCORDANCE WITH THIS SUBSECTION
20 (4.5).

21 (b) (I) THE DEPARTMENT IS AUTHORIZED TO ISSUE TAX CREDIT
22 CERTIFICATES TO QUALIFIED RETAILERS EQUAL TO THE LESSER OF A TOTAL
23 FACE VALUE OF UP TO FORTY MILLION DOLLARS OR TOTAL SALES
24 PROCEEDS OF UP TO THIRTY MILLION DOLLARS IN FISCAL YEAR 2025-26.

25 (II) THE DEPARTMENT MAY CONTRACT WITH AN INDEPENDENT
26 THIRD PARTY TO CONDUCT OR CONSULT ON A BIDDING PROCESS AMONG
27 QUALIFIED RETAILERS TO PURCHASE THE TAX CREDITS.

1 (c) A QUALIFIED RETAILER SEEKING TO PURCHASE TAX CREDITS
2 MUST APPLY TO THE DEPARTMENT IN THE MANNER PRESCRIBED BY THE
3 DEPARTMENT.

4 (d) USING PROCEDURES ADOPTED BY THE DEPARTMENT OR, IF
5 APPLICABLE, BY AN INDEPENDENT THIRD PARTY, EACH QUALIFIED
6 RETAILER THAT SUBMITS AN APPLICATION SHALL MAKE A TIMELY AND
7 IRREVOCABLE OFFER, CONTINGENT ONLY UPON THE DEPARTMENT'S
8 ISSUANCE TO THE QUALIFIED RETAILER OF THE TAX CREDIT CERTIFICATES,
9 TO MAKE A SPECIFIED PURCHASE PAYMENT AMOUNT TO THE DEPARTMENT
10 ON DATES SPECIFIED BY THE DEPARTMENT. THE OFFER MUST INCLUDE THE
11 FOLLOWING:

12 (I) THE REQUESTED AMOUNT OF TAX CREDITS, WHICH MUST NOT
13 BE LESS THAN ANY MINIMUM AMOUNT ESTABLISHED IN PROCEDURES BY
14 THE DEPARTMENT OR, IF APPLICABLE, THE INDEPENDENT THIRD PARTY;

15 (II) THE QUALIFIED RETAILER'S PROPOSED TAX CREDIT PURCHASE
16 AMOUNT FOR EACH TAX CREDIT DOLLAR REQUESTED. THE MINIMUM
17 PROPOSED TAX CREDIT PURCHASE AMOUNT MUST BE EITHER:

18 (A) THE PERCENTAGE OF THE REQUESTED DOLLAR AMOUNT OF TAX
19 CREDITS THAT THE DEPARTMENT OR, IF APPLICABLE, THE INDEPENDENT
20 THIRD PARTY DETERMINES TO BE CONSISTENT WITH MARKET CONDITIONS
21 AS OF THE OFFER DATE; OR

22 (B) IF NO AMOUNT IS ESTABLISHED BY THE DEPARTMENT OR THE
23 INDEPENDENT THIRD PARTY PURSUANT TO SUBSECTION (4.5)(d)(II)(A) OF
24 THIS SECTION, SEVENTY-FIVE PERCENT OF THE REQUESTED DOLLAR
25 AMOUNT OF TAX CREDITS; AND

26 (III) ANY OTHER INFORMATION THAT THE DEPARTMENT OR, IF
27 APPLICABLE, THE INDEPENDENT THIRD PARTY REQUIRES.

1 (e) THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE TO EACH
2 QUALIFIED RETAILER THAT SUBMITS AN APPLICATION INDICATING
3 WHETHER OR NOT THE QUALIFIED RETAILER HAS BEEN APPROVED AS A
4 PURCHASER OF TAX CREDITS AND, IF SO, THE AMOUNT OF TAX CREDITS
5 ALLOCATED AND THE DATE BY WHICH PAYMENT OF THE TAX CREDIT SALE
6 PROCEEDS MUST BE MADE.

7 (f) ON RECEIPT OF PAYMENT OF THE SALE PROCEEDS, THE
8 DEPARTMENT SHALL ISSUE TO EACH QUALIFIED RETAILER A TAX CREDIT
9 CERTIFICATE. THE TAX CREDIT CERTIFICATE MUST STATE THE FOLLOWING:

10 (I) THE TOTAL AMOUNT OF TAX CREDITS THAT THE QUALIFIED
11 RETAILER MAY CLAIM;

12 (II) THE AMOUNT THAT THE QUALIFIED RETAILER HAS PAID OR
13 AGREED TO PAY IN RETURN FOR THE ISSUANCE OF THE TAX CREDIT
14 CERTIFICATES AND THE DATE OF THE PAYMENT;

15 (III) THE DATES ON WHICH THE TAX CREDITS WILL BE AVAILABLE
16 FOR USE BY THE QUALIFIED RETAILER;

17 (IV) ANY PENALTIES OR OTHER REMEDIES FOR NONCOMPLIANCE;

18 (V) THE SERIAL NUMBER OF THE TAX CREDIT CERTIFICATE; AND

19 (VI) ANY OTHER REQUIREMENTS DEEMED NECESSARY BY THE
20 DEPARTMENT AS A CONDITION OF ISSUING THE TAX CREDIT CERTIFICATE.

21 (g) (I) THE DEPARTMENT SHALL NOT ISSUE A TAX CREDIT
22 CERTIFICATE TO ANY QUALIFIED RETAILER THAT FAILS TO PROVIDE THE
23 TAX CREDIT SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE
24 DEPARTMENT.

25 (II) A QUALIFIED RETAILER THAT FAILS TO PROVIDE THE TAX
26 CREDIT SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE DEPARTMENT
27 IS SUBJECT TO A PENALTY EQUAL TO TEN PERCENT OF THE AMOUNT OF THE

1 PURCHASE PRICE THAT REMAINS UNPAID. THE PENALTY MUST BE PAID TO
2 THE DEPARTMENT WITHIN THIRTY DAYS AFTER DEMAND.

3 (III) THE DEPARTMENT MAY OFFER TO REALLOCATE THE
4 DEFAULTED TAX CREDITS AMONG OTHER QUALIFIED RETAILERS SO THAT
5 THE RESULT AFTER REALLOCATION IS THE SAME AS IF THE INITIAL
6 ALLOCATION HAD BEEN PERFORMED WITHOUT CONSIDERING THE TAX
7 CREDIT ALLOCATION TO THE DEFAULTING QUALIFIED RETAILER.

8 (IV) IF THE REALLOCATION OF TAX CREDITS UNDER SUBSECTION
9 (4.5)(g)(III) OF THIS SECTION RESULTS IN THE PAYMENT BY ANOTHER
10 QUALIFIED RETAILER OF THE AMOUNT OF TAX CREDIT SALE PROCEEDS NOT
11 PAID BY THE DEFAULTING QUALIFIED RETAILER, THE DEPARTMENT MAY
12 WAIVE THE PENALTY IMPOSED UNDER SUBSECTION (4.5)(g)(II) OF THIS
13 SECTION.

14 (V) A QUALIFIED RETAILER THAT FAILS TO PAY THE TAX CREDIT
15 SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE DEPARTMENT MAY
16 AVOID THE IMPOSITION OF THE PENALTY BY TRANSFERRING THE
17 ALLOCATION OF TAX CREDITS TO A NEW OR EXISTING QUALIFIED RETAILER
18 WITHIN THIRTY DAYS AFTER THE DUE DATE OF THE DEFAULTED
19 INSTALLMENT. ANY TRANSFEREE OF AN ALLOCATION OF TAX CREDITS OF
20 A DEFAULTING QUALIFIED RETAILER UNDER THIS SUBSECTION (4.5)(g)
21 SHALL AGREE TO PAY THE TAX CREDIT SALE PROCEEDS WITHIN FIVE DAYS
22 AFTER THE DATE OF THE TRANSFER.

23 (h) FOR A TAX CREDIT CERTIFICATE ISSUED IN FISCAL YEAR
24 2025-26, THE QUALIFIED RETAILER MAY CLAIM UP TO THE FULL AMOUNT
25 OF THE CREDIT AGAINST ITS INCOME TAX LIABILITY INCURRED FOR A
26 TAXABLE YEAR THAT BEGINS ON OR AFTER JANUARY 1, 2030; EXCEPT
27 THAT A QUALIFIED RETAILER MAY NOT REDUCE ITS ESTIMATED TAX

1 PAYMENTS IN PROPORTION TO SUCH CREDIT PRIOR TO JULY 1, 2030.

2 (i) (I) THE TOTAL CREDIT TO BE APPLIED BY A QUALIFIED RETAILER
3 IN ANY ONE YEAR MUST NOT EXCEED THE INCOME TAX LIABILITY OF THE
4 QUALIFIED RETAILER FOR THE TAXABLE YEAR. IF THE QUALIFIED RETAILER
5 CANNOT USE THE ENTIRE AMOUNT OF THE TAX CREDIT FOR THE TAXABLE
6 YEAR IN WHICH THE QUALIFIED RETAILER IS ELIGIBLE FOR THE CREDIT, THE
7 EXCESS MAY BE CARRIED OVER TO SUCCEEDING TAXABLE YEARS AND
8 USED AS A CREDIT AGAINST THE INCOME TAX LIABILITY OF THE QUALIFIED
9 RETAILER FOR THOSE TAXABLE YEARS; EXCEPT THAT, FOR A CREDIT
10 ISSUED IN FISCAL YEAR 2025-26, THE CREDIT MAY NOT BE CARRIED OVER
11 TO ANY TAXABLE YEAR THAT BEGINS AFTER DECEMBER 31, 2050.

12 (II) ANY AMOUNT OF THE CREDIT THAT IS NOT TIMELY CLAIMED
13 EXPIRES AND IS NOT REFUNDABLE.

14 (j) A QUALIFIED RETAILER CLAIMING A CREDIT UNDER THIS
15 SUBSECTION (4.5) SHALL SUBMIT THE TAX CREDIT CERTIFICATE WITH ITS
16 TAX RETURN.

17 (k) A QUALIFIED RETAILER CLAIMING A CREDIT UNDER THIS
18 SUBSECTION (4.5) SHALL NOT BE REQUIRED TO PAY ANY ADDITIONAL OR
19 RETALIATORY TAX AS A RESULT OF CLAIMING THE CREDIT.

20 (l) IF A QUALIFIED RETAILER HOLDING AN UNCLAIMED TAX CREDIT
21 IS PART OF A MERGER, ACQUISITION, OR LINE OF BUSINESS DIVESTITURE
22 TRANSACTION, THE TAX CREDIT MAY BE TRANSFERRED TO AND ASSUMED
23 BY THE RESULTING ENTITY IF THE RESULTING ENTITY IS A RETAILER
24 AUTHORIZED TO DO BUSINESS IN COLORADO THAT HAS INCOME TAX
25 LIABILITY. THE QUALIFIED RETAILER THAT ORIGINALLY PURCHASED THE
26 CREDIT AND THE RESULTING ENTITY SHALL NOTIFY THE DEPARTMENT IN
27 WRITING OF THE TRANSFER OR ASSUMPTION OF THE CREDIT IN

1 ACCORDANCE WITH PROCEDURES ADOPTED BY THE DEPARTMENT. THE
2 DEPARTMENT SHALL MAINTAIN A RECORD OF THE TRANSFER OR
3 ASSUMPTION OF THE TAX CREDIT. THE TRANSFER OR ASSUMPTION OF THE
4 TAX CREDIT DOES NOT AFFECT THE TIME SCHEDULE FOR CLAIMING THE
5 TAX CREDIT AS PROVIDED IN THIS SUBSECTION (4.5).

6 (5) Pursuant to section 39-21-304 (3), notwithstanding section
7 24-1-136 (11)(a)(I), and for the purpose of providing data that allows the
8 general assembly and the state auditor to measure the effectiveness of the
9 tax credit created in ~~subsection (3)~~ of this section, the department of
10 revenue, on or before January 1, 2025, and on or before January 1 of each
11 year thereafter through January 1, 2028, shall submit to the general
12 assembly and the state auditor a report detailing the sales of new,
13 electric-powered lawn equipment, as reported by a qualified retailer
14 claiming the tax credit authorized under subsection (3) of this section OR
15 A QUALIFIED RETAILER WHO HAS RECEIVED A TAX CREDIT CERTIFICATE
16 PURSUANT TO SUBSECTION (4.5) OF THIS SECTION. The tax credit
17 established in this section meets its purpose if sales of new,
18 gasoline-powered lawn equipment are significantly reduced within five
19 years after the tax credit becomes effective, as determined by the general
20 assembly and the state auditor pursuant to section 39-21-304 (3).

21 (6) This section is repealed, effective ~~December 31, 2033~~
22 DECEMBER 31, 2055.

23 **SECTION 5.** In Colorado Revised Statutes, 39-22-554, **amend**
24 (3)(a), (3)(c)(I), (3)(c)(II), (3)(c)(III), (4), (8), and (9); **repeal** (3)(f); and
25 **add** (4.3) and (4.5) as follows:

26 **39-22-554. Heat pump technology and thermal energy**
27 **network tax credit - sale of tax credits - authorization to issue - tax**

1 **preference performance statement - legislative declaration -**
2 **definitions - repeal.** (3) (a) For income tax years commencing on or
3 after January 1, 2024, but before ~~January 1, 2033~~ JANUARY 1, 2026, an
4 eligible taxpayer that installs heat pump technology in a building in the
5 state, on a campus in the state, or develops, through purchase and
6 installation of necessary equipment, a thermal energy network in the state
7 is allowed a credit against the tax imposed under this article 22 in an
8 amount set forth in subsection (3)(c) of this section in the tax year that the
9 heat pump technology or thermal energy network is placed into service.

10 (c) Subject to the modifications set forth in subsection (3)(d) of
11 this section and the annual review required pursuant to subsection (3)(e)
12 of this section and except as otherwise provided in subsection (3)(f) of
13 this section, the amount of the credit allowed pursuant to this section is
14 calculated as follows:

15 (I) For the installation of an air-source heat pump system or for a
16 variable refrigerant flow heat pump system,

17 ~~(A)~~ for tax years commencing on or after January 1, 2024, but
18 before January 1, 2026, one thousand five hundred dollars;

19 ~~(B)~~ ~~For tax years commencing on or after January 1, 2026, but~~
20 ~~before January 1, 2029, one thousand dollars; and~~

21 ~~(C)~~ ~~For tax years commencing on or after January 1, 2029, but~~
22 ~~before January 1, 2033, five hundred dollars;~~

23 (II) For the installation of a ground-source heat pump system,
24 water-source heat pump system, a combined air-source and ground-source
25 heat pump system, a combined water-source and ground-source heat
26 pump system, a combined variable refrigerant flow and ground-source
27 heat pump system, or a combined variable refrigerant flow and

1 water-source heat pump system,
2 (A) for tax years commencing on or after January 1, 2024, but
3 before January 1, 2026, three thousand dollars; AND
4 ~~(B) For tax years commencing on or after January 1, 2026, but~~
5 ~~before January 1, 2029, two thousand dollars; and~~
6 ~~(C) For tax years commencing on or after January 1, 2029, but~~
7 ~~before January 1, 2033, one thousand dollars; and~~
8 (III) For the installation of a heat pump water heater,
9 (A) for tax years commencing on or after January 1, 2024, but
10 before January 1, 2026, five hundred dollars. and
11 ~~(B) For tax years commencing on or after January 1, 2026, but~~
12 ~~before January 1, 2033, two hundred fifty dollars.~~
13 (f) ~~If the June 2025 revenue forecast, and each June revenue~~
14 ~~forecast through the June 2031 revenue forecast as prepared by either~~
15 ~~legislative council staff or the office of state planning and budgeting,~~
16 ~~projects that state revenues, as defined in section 24-77-103.6 (6)(c), will~~
17 ~~not increase by at least four percent for the next fiscal year, the amount~~
18 ~~of the credit allowed pursuant to subsection (3)(c)(I)(B), (3)(c)(I)(C),~~
19 ~~(3)(c)(II)(B), (3)(c)(II)(C), or (3)(c)(III)(B) of this section, as may be~~
20 ~~modified by subsections (3)(d) and (3)(e) of this section, for any tax year~~
21 ~~commencing in the calendar year that begins during said next fiscal year~~
22 ~~is reduced by fifty percent if the heat pump technology is installed at an~~
23 ~~existing residential or nonresidential building; except that if the amount~~
24 ~~of the reduced credit is equal to or less than two hundred fifty dollars,~~
25 ~~then no credit is available for such a tax year.~~
26 (4) An eligible taxpayer may retain an applicable percentage of
27 the amount of the tax credit allowed under subsection (3)(c) of this

1 section to support the industry-wide adoption and deployment of heat
2 pump technologies in the state. The office shall annually determine the
3 applicable percentage, which must be the same for each eligible taxpayer,
4 pursuant to guidelines established by the office. The office shall maintain
5 the current applicable percentage on its website and shall provide the
6 applicable percentage in writing to the department no later than December
7 31, 2023, and ~~each December 31 thereafter through December 31, 2031~~
8 DECEMBER 31, 2024.

9 (4.3) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT:

10 (a) THE TAX CREDITS AUTHORIZED BY SUBSECTION (4.5) OF THIS
11 SECTION AS A METHOD TO PROVIDE MONEY TO THE GENERAL FUND ARE
12 AVAILABLE ONLY TO ELIGIBLE TAXPAYERS THAT INCUR INCOME TAX
13 LIABILITY IN THE STATE;

14 (b) THE TAX CREDITS CAN ONLY BE USED BY AN ELIGIBLE
15 TAXPAYER TO OFFSET INCOME TAX LIABILITY ACTUALLY INCURRED BY THE
16 TAXPAYER;

17 (c) THE TAX CREDITS ARE NOT REFUNDABLE AND DO NOT IMPOSE
18 AN OBLIGATION OF PAYMENT IN ANY FUTURE YEAR UPON THE STATE;

19 (d) THE USE OF PROCEEDS FROM THE SALE OF THE TAX CREDITS
20 FOR THE GENERAL FUND ALLOWS THE STATE TO AUGMENT THE GENERAL
21 FUND THROUGH THE USE OF FUTURE TAX EXPENDITURES AND THEREFORE:

22 (I) DOES NOT REQUIRE THE STATE TO BORROW MONEY, EXTEND OR
23 PLEDGE THE STATE'S CREDIT, OR OBLIGATE THE STATE TO MAKE FUTURE
24 PAYMENTS FROM STATE REVENUES; AND

25 (II) DOES NOT OTHERWISE CREATE ANY MULTIPLE FISCAL YEAR
26 DIRECT OR INDIRECT DISTRICT DEBT OR OTHER FINANCIAL OBLIGATION
27 WHATSOEVER FOR PURPOSES OF SECTION 20 (4)(a) OF ARTICLE X OF THE

1 STATE CONSTITUTION.

2 (4.5) (a) AN ELIGIBLE TAXPAYER MAY PURCHASE TAX CREDITS
3 FROM THE DEPARTMENT IN ACCORDANCE WITH THIS SECTION AND MAY
4 APPLY THE TAX CREDITS AGAINST ITS LIABILITY FOR THE TAX IMPOSED
5 PURSUANT TO THIS ARTICLE 22, IN ACCORDANCE WITH THIS SUBSECTION
6 (4.5).

7 (b) (I) THE DEPARTMENT IS AUTHORIZED TO ISSUE TAX CREDIT
8 CERTIFICATES TO ELIGIBLE TAXPAYERS EQUAL TO THE LESSER OF A TOTAL
9 FACE VALUE OF UP TO FORTY MILLION DOLLARS OR TOTAL SALES
10 PROCEEDS OF UP TO THIRTY MILLION DOLLARS IN FISCAL YEAR 2025-26.

11 (II) THE DEPARTMENT MAY CONTRACT WITH AN INDEPENDENT
12 THIRD PARTY TO CONDUCT OR CONSULT ON A BIDDING PROCESS AMONG
13 ELIGIBLE TAXPAYERS TO PURCHASE THE TAX CREDITS.

14 (III) THE DEPARTMENT SHALL CONSULT WITH THE OFFICE IN
15 ADVANCE OF ISSUING ANY TAX CREDITS IN ACCORDANCE WITH THIS
16 SUBSECTION (4.5).

17 (c) AN ELIGIBLE TAXPAYER SEEKING TO PURCHASE TAX CREDITS
18 MUST APPLY TO THE DEPARTMENT IN THE MANNER PRESCRIBED BY THE
19 DEPARTMENT.

20 (d) USING PROCEDURES ADOPTED BY THE DEPARTMENT OR, IF
21 APPLICABLE, BY AN INDEPENDENT THIRD PARTY, EACH ELIGIBLE TAXPAYER
22 THAT SUBMITS AN APPLICATION SHALL MAKE A TIMELY AND IRREVOCABLE
23 OFFER, CONTINGENT ONLY UPON THE DEPARTMENT'S ISSUANCE TO THE
24 ELIGIBLE TAXPAYER OF THE TAX CREDIT CERTIFICATES, TO MAKE A
25 SPECIFIED PURCHASE PAYMENT AMOUNT TO THE DEPARTMENT ON DATES
26 SPECIFIED BY THE DEPARTMENT. THE OFFER MUST INCLUDE THE
27 FOLLOWING:

1 (I) THE REQUESTED AMOUNT OF TAX CREDITS, WHICH MUST NOT
2 BE LESS THAN ANY MINIMUM AMOUNT ESTABLISHED IN PROCEDURES BY
3 THE DEPARTMENT OR, IF APPLICABLE, THE INDEPENDENT THIRD PARTY;

4 (II) THE ELIGIBLE TAXPAYER'S PROPOSED TAX CREDIT PURCHASE
5 AMOUNT FOR EACH TAX CREDIT DOLLAR REQUESTED. THE MINIMUM
6 PROPOSED TAX CREDIT PURCHASE AMOUNT MUST BE EITHER:

7 (A) THE PERCENTAGE OF THE REQUESTED DOLLAR AMOUNT OF TAX
8 CREDITS THAT THE DEPARTMENT OR, IF APPLICABLE, THE INDEPENDENT
9 THIRD PARTY DETERMINES TO BE CONSISTENT WITH MARKET CONDITIONS
10 AS OF THE OFFER DATE; OR

11 (B) IF NO AMOUNT IS ESTABLISHED BY THE DEPARTMENT OR THE
12 INDEPENDENT THIRD PARTY PURSUANT TO SUBSECTION (4.5)(d)(II)(A) OF
13 THIS SECTION, SEVENTY-FIVE PERCENT OF THE REQUESTED DOLLAR
14 AMOUNT OF TAX CREDITS; AND

15 (III) ANY OTHER INFORMATION THAT THE DEPARTMENT OR, IF
16 APPLICABLE, THE INDEPENDENT THIRD PARTY REQUIRES.

17 (e) THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE TO EACH
18 ELIGIBLE TAXPAYER THAT SUBMITS AN APPLICATION INDICATING WHETHER
19 OR NOT THE ELIGIBLE TAXPAYER HAS BEEN APPROVED AS A PURCHASER OF
20 TAX CREDITS AND, IF SO, THE AMOUNT OF TAX CREDITS ALLOCATED AND
21 THE DATE BY WHICH PAYMENT OF THE TAX CREDIT SALE PROCEEDS MUST
22 BE MADE.

23 (f) ON RECEIPT OF PAYMENT OF THE SALE PROCEEDS, THE
24 DEPARTMENT SHALL ISSUE TO EACH ELIGIBLE TAXPAYER A TAX CREDIT
25 CERTIFICATE. THE TAX CREDIT CERTIFICATE MUST STATE THE FOLLOWING:

26 (I) THE TOTAL AMOUNT OF TAX CREDITS THAT THE ELIGIBLE
27 TAXPAYER MAY CLAIM;

1 (II) THE AMOUNT THAT THE ELIGIBLE TAXPAYER HAS PAID OR
2 AGREED TO PAY IN RETURN FOR THE ISSUANCE OF THE TAX CREDIT
3 CERTIFICATES AND THE DATE OF THE PAYMENT;

4 (III) THE DATES ON WHICH THE TAX CREDITS WILL BE AVAILABLE
5 FOR USE BY THE ELIGIBLE TAXPAYER;

6 (IV) ANY PENALTIES OR OTHER REMEDIES FOR NONCOMPLIANCE;

7 (V) THE SERIAL NUMBER OF THE TAX CREDIT CERTIFICATE; AND

8 (VI) ANY OTHER REQUIREMENTS DEEMED NECESSARY BY THE
9 DEPARTMENT AS A CONDITION OF ISSUING THE TAX CREDIT CERTIFICATE.

10 (g) (I) THE DEPARTMENT SHALL NOT ISSUE A TAX CREDIT
11 CERTIFICATE TO ANY ELIGIBLE TAXPAYER THAT FAILS TO PROVIDE THE TAX
12 CREDIT SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE DEPARTMENT.

13 (II) AN ELIGIBLE TAXPAYER THAT FAILS TO PROVIDE THE TAX
14 CREDIT SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE DEPARTMENT
15 IS SUBJECT TO A PENALTY EQUAL TO TEN PERCENT OF THE AMOUNT OF THE
16 PURCHASE PRICE THAT REMAINS UNPAID. THE PENALTY MUST BE PAID TO
17 THE DEPARTMENT WITHIN THIRTY DAYS AFTER DEMAND.

18 (III) THE DEPARTMENT MAY OFFER TO REALLOCATE THE
19 DEFAULTED TAX CREDITS AMONG OTHER ELIGIBLE TAXPAYER SO THAT THE
20 RESULT AFTER REALLOCATION IS THE SAME AS IF THE INITIAL ALLOCATION
21 HAD BEEN PERFORMED WITHOUT CONSIDERING THE TAX CREDIT
22 ALLOCATION TO THE DEFAULTING ELIGIBLE TAXPAYER.

23 (IV) IF THE REALLOCATION OF TAX CREDITS UNDER SUBSECTION
24 (4.5)(g)(III) OF THIS SECTION RESULTS IN THE PAYMENT BY ANOTHER
25 ELIGIBLE TAXPAYER OF THE AMOUNT OF TAX CREDIT SALE PROCEEDS NOT
26 PAID BY THE DEFAULTING ELIGIBLE TAXPAYER, THE DEPARTMENT MAY
27 WAIVE THE PENALTY IMPOSED UNDER SUBSECTION (4.5)(g)(II) OF THIS

1 SECTION.

2 (V) AN ELIGIBLE TAXPAYER THAT FAILS TO PAY THE TAX CREDIT
3 SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE DEPARTMENT MAY
4 AVOID THE IMPOSITION OF THE PENALTY BY TRANSFERRING THE
5 ALLOCATION OF TAX CREDITS TO A NEW OR EXISTING ELIGIBLE TAXPAYER
6 WITHIN THIRTY DAYS AFTER THE DUE DATE OF THE DEFAULTED
7 INSTALLMENT. ANY TRANSFEREE OF AN ALLOCATION OF TAX CREDITS OF
8 A DEFAULTING ELIGIBLE TAXPAYER UNDER THIS SUBSECTION (4.5)(g)
9 SHALL AGREE TO PAY THE TAX CREDIT SALE PROCEEDS WITHIN FIVE DAYS
10 AFTER THE DATE OF THE TRANSFER.

11 (h) FOR A TAX CREDIT CERTIFICATE ISSUED IN FISCAL YEAR
12 2025-26, THE ELIGIBLE TAXPAYER MAY CLAIM UP TO THE FULL AMOUNT
13 OF THE CREDIT AGAINST ITS INCOME TAX LIABILITY INCURRED FOR A
14 TAXABLE YEAR THAT BEGINS ON OR AFTER JANUARY 1, 2030; EXCEPT
15 THAT A TAXPAYER MAY NOT REDUCE ITS ESTIMATED TAX PAYMENTS IN
16 PROPORTION TO SUCH CREDIT PRIOR TO JULY 1, 2030.

17 (i) (I) THE TOTAL CREDIT TO BE APPLIED BY AN ELIGIBLE
18 TAXPAYER IN ANY ONE YEAR MUST NOT EXCEED THE INCOME TAX
19 LIABILITY OF THE TAXPAYER FOR THE TAXABLE YEAR. IF THE ELIGIBLE
20 TAXPAYER CANNOT USE THE ENTIRE AMOUNT OF THE TAX CREDIT FOR THE
21 TAXABLE YEAR IN WHICH THE TAXPAYER IS ELIGIBLE FOR THE CREDIT, THE
22 EXCESS MAY BE CARRIED OVER TO SUCCEEDING TAXABLE YEARS AND
23 USED AS A CREDIT AGAINST THE INCOME TAX LIABILITY OF THE ELIGIBLE
24 TAXPAYER FOR THOSE TAXABLE YEARS; EXCEPT THAT, FOR A CREDIT
25 ISSUED IN FISCAL YEAR 2025-26, THE CREDIT MAY NOT BE CARRIED OVER
26 TO ANY TAXABLE YEAR THAT BEGINS AFTER DECEMBER 31, 2050.

27 (II) ANY AMOUNT OF THE CREDIT THAT IS NOT TIMELY CLAIMED

1 EXPIRES AND IS NOT REFUNDABLE.

2 (j) AN ELIGIBLE TAXPAYER CLAIMING A CREDIT UNDER THIS
3 SUBSECTION (4.5) SHALL SUBMIT THE TAX CREDIT CERTIFICATE WITH ITS
4 TAX RETURN.

5 (k) AN ELIGIBLE TAXPAYER CLAIMING A CREDIT UNDER THIS
6 SUBSECTION (4.5) SHALL NOT BE REQUIRED TO PAY ANY ADDITIONAL OR
7 RETALIATORY TAX AS A RESULT OF CLAIMING THE CREDIT.

8 (l) IF AN ELIGIBLE TAXPAYER HOLDING AN UNCLAIMED TAX CREDIT
9 IS PART OF A MERGER, ACQUISITION, OR LINE OF BUSINESS DIVESTITURE
10 TRANSACTION, THE TAX CREDIT MAY BE TRANSFERRED TO AND ASSUMED
11 BY THE RESULTING ENTITY IF THE RESULTING ENTITY IS AN ELIGIBLE
12 TAXPAYER THAT HAS INCOME TAX LIABILITY. THE ELIGIBLE TAXPAYER
13 THAT ORIGINALLY PURCHASED THE CREDIT AND THE RESULTING ENTITY
14 SHALL NOTIFY THE DEPARTMENT IN WRITING OF THE TRANSFER OR
15 ASSUMPTION OF THE CREDIT IN ACCORDANCE WITH PROCEDURES ADOPTED
16 BY THE DEPARTMENT. THE DEPARTMENT SHALL MAINTAIN A RECORD OF
17 THE TRANSFER OR ASSUMPTION OF THE TAX CREDIT. THE TRANSFER OR
18 ASSUMPTION OF THE TAX CREDIT DOES NOT AFFECT THE TIME SCHEDULE
19 FOR CLAIMING THE TAX CREDIT AS PROVIDED IN THIS SUBSECTION (4.5).

20 (8) If a credit authorized by SUBSECTION (3) OF this section
21 exceeds the income tax due on the income of the eligible taxpayer for the
22 taxable year, the excess credit may not be carried forward and must be
23 refunded to the eligible taxpayer or the installer.

24 (9) This section is repealed, effective ~~December 31, 2038~~
25 DECEMBER 31, 2055.

26 **SECTION 6.** In Colorado Revised Statutes, 39-22-555, **amend**
27 (3)(a), (3)(e)(II), (5), and (8); **repeal** (6); and **add** (5.3) and (5.5) as

1 follows:

2 **39-22-555. Electric bicycle tax credit - sale of tax credits -**
3 **authorization to issue - tax preference performance statement -**
4 **legislative declaration - definitions - repeal.** (3) (a) Except as otherwise
5 provided in subsection (6) of this section, for income tax years
6 commencing on or after January 1, 2024, but before ~~January 1, 2033~~
7 JANUARY 1, 2026, a qualified retailer is allowed a credit against the tax
8 imposed pursuant to this article 22 in an amount equal to five hundred
9 dollars for each retail sale of new qualified electric bicycles sold in the
10 state during the income tax year to a qualified purchaser; except that for
11 the income tax year commencing on January 1, 2024, the credit is allowed
12 only for retail sales made on or after April 1, 2024, but on or before
13 December 31, 2024.

14 (e) (II) For THE income tax ~~years~~ YEAR commencing on or after
15 January 1, 2025, BUT BEFORE JANUARY 1, 2026, the qualified retailer may
16 elect advance payments of the credit allowed pursuant to this section as
17 specified in section 39-22-629.

18 (5) If a credit authorized by SUBSECTION (3) OF this section
19 exceeds the income tax due on the income of the qualified retailer for the
20 taxable year, the excess credit may not be carried forward and must be
21 refunded to the qualified retailer.

22 (5.3) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT:

23 (a) THE TAX CREDITS AUTHORIZED BY SUBSECTION (5.5) OF THIS
24 SECTION AS A METHOD TO PROVIDE MONEY TO THE GENERAL FUND ARE
25 AVAILABLE ONLY TO QUALIFIED RETAILERS THAT INCUR INCOME TAX
26 LIABILITY IN THE STATE;

27 (b) THE TAX CREDITS CAN ONLY BE USED BY A QUALIFIED

1 RETAILER TO OFFSET INCOME TAX LIABILITY ACTUALLY INCURRED BY THE
2 RETAILER;

3 (c) THE TAX CREDITS ARE NOT REFUNDABLE AND DO NOT IMPOSE
4 AN OBLIGATION OF PAYMENT IN ANY FUTURE YEAR UPON THE STATE;

5 (d) THE USE OF PROCEEDS FROM THE SALE OF THE TAX CREDITS
6 FOR THE GENERAL FUND ALLOWS THE STATE TO AUGMENT THE GENERAL
7 FUND THROUGH THE USE OF FUTURE TAX EXPENDITURES AND THEREFORE:

8 (I) DOES NOT REQUIRE THE STATE TO BORROW MONEY, EXTEND OR
9 PLEDGE THE STATE'S CREDIT, OR OBLIGATE THE STATE TO MAKE FUTURE
10 PAYMENTS FROM STATE REVENUES; AND

11 (II) DOES NOT OTHERWISE CREATE ANY MULTIPLE FISCAL YEAR
12 DIRECT OR INDIRECT DISTRICT DEBT OR OTHER FINANCIAL OBLIGATION
13 WHATSOEVER FOR PURPOSES OF SECTION 20 (4)(a) OF ARTICLE X OF THE
14 STATE CONSTITUTION.

15 (5.5) (a) A QUALIFIED RETAILER MAY PURCHASE TAX CREDITS
16 FROM THE DEPARTMENT IN ACCORDANCE WITH THIS SECTION AND MAY
17 APPLY THE TAX CREDITS AGAINST ITS LIABILITY FOR THE TAX IMPOSED
18 PURSUANT TO THIS ARTICLE 22, IN ACCORDANCE WITH THIS SUBSECTION
19 (5.5).

20 (b) (I) THE DEPARTMENT IS AUTHORIZED TO ISSUE TAX CREDIT
21 CERTIFICATES TO QUALIFIED RETAILERS EQUAL TO THE LESSER OF A TOTAL
22 FACE VALUE OF UP TO FORTY MILLION DOLLARS OR TOTAL SALES
23 PROCEEDS OF UP TO THIRTY MILLION DOLLARS IN FISCAL YEAR 2025-26.

24 (II) THE DEPARTMENT MAY CONTRACT WITH AN INDEPENDENT
25 THIRD PARTY TO CONDUCT OR CONSULT ON A BIDDING PROCESS AMONG
26 QUALIFIED RETAILERS TO PURCHASE THE TAX CREDITS.

27 (III) THE DEPARTMENT SHALL CONSULT WITH THE OFFICE IN

1 ADVANCE OF ISSUING ANY TAX CREDITS IN ACCORDANCE WITH THIS
2 SUBSECTION (5.5).

3 (c) A QUALIFIED RETAILER SEEKING TO PURCHASE TAX CREDITS
4 MUST APPLY TO THE DEPARTMENT IN THE MANNER PRESCRIBED BY THE
5 DEPARTMENT.

6 (d) USING PROCEDURES ADOPTED BY THE DEPARTMENT OR, IF
7 APPLICABLE, BY AN INDEPENDENT THIRD PARTY, EACH QUALIFIED
8 RETAILER THAT SUBMITS AN APPLICATION SHALL MAKE A TIMELY AND
9 IRREVOCABLE OFFER, CONTINGENT ONLY UPON THE DEPARTMENT'S
10 ISSUANCE TO THE QUALIFIED RETAILER OF THE TAX CREDIT CERTIFICATES,
11 TO MAKE A SPECIFIED PURCHASE PAYMENT AMOUNT TO THE DEPARTMENT
12 ON DATES SPECIFIED BY THE DEPARTMENT. THE OFFER MUST INCLUDE THE
13 FOLLOWING:

14 (I) THE REQUESTED AMOUNT OF TAX CREDITS, WHICH MUST NOT
15 BE LESS THAN ANY MINIMUM AMOUNT ESTABLISHED IN PROCEDURES BY
16 THE DEPARTMENT OR, IF APPLICABLE, THE INDEPENDENT THIRD PARTY;

17 (II) THE QUALIFIED RETAILER'S PROPOSED TAX CREDIT PURCHASE
18 AMOUNT FOR EACH TAX CREDIT DOLLAR REQUESTED. THE MINIMUM
19 PROPOSED TAX CREDIT PURCHASE AMOUNT MUST BE EITHER:

20 (A) THE PERCENTAGE OF THE REQUESTED DOLLAR AMOUNT OF TAX
21 CREDITS THAT THE DEPARTMENT OR, IF APPLICABLE, THE INDEPENDENT
22 THIRD PARTY DETERMINES TO BE CONSISTENT WITH MARKET CONDITIONS
23 AS OF THE OFFER DATE; OR

24 (B) IF NO AMOUNT IS ESTABLISHED BY THE DEPARTMENT OR THE
25 INDEPENDENT THIRD PARTY PURSUANT TO SUBSECTION (5.5)(d)(II)(A) OF
26 THIS SECTION, SEVENTY-FIVE PERCENT OF THE REQUESTED DOLLAR
27 AMOUNT OF TAX CREDITS; AND

1 (III) ANY OTHER INFORMATION THAT THE DEPARTMENT OR, IF
2 APPLICABLE, THE INDEPENDENT THIRD PARTY REQUIRES.

3 (e) THE DEPARTMENT SHALL PROVIDE WRITTEN NOTICE TO EACH
4 QUALIFIED RETAILER THAT SUBMITS AN APPLICATION INDICATING
5 WHETHER OR NOT THE QUALIFIED RETAILER HAS BEEN APPROVED AS A
6 PURCHASER OF TAX CREDITS AND, IF SO, THE AMOUNT OF TAX CREDITS
7 ALLOCATED AND THE DATE BY WHICH PAYMENT OF THE TAX CREDIT SALE
8 PROCEEDS MUST BE MADE.

9 (f) ON RECEIPT OF PAYMENT OF THE SALE PROCEEDS, THE
10 DEPARTMENT SHALL ISSUE TO EACH QUALIFIED RETAILER A TAX CREDIT
11 CERTIFICATE. THE TAX CREDIT CERTIFICATE MUST STATE THE FOLLOWING:

12 (I) THE TOTAL AMOUNT OF TAX CREDITS THAT THE QUALIFIED
13 RETAILER MAY CLAIM;

14 (II) THE AMOUNT THAT THE QUALIFIED RETAILER HAS PAID OR
15 AGREED TO PAY IN RETURN FOR THE ISSUANCE OF THE TAX CREDIT
16 CERTIFICATES AND THE DATE OF THE PAYMENT;

17 (III) THE DATES ON WHICH THE TAX CREDITS WILL BE AVAILABLE
18 FOR USE BY THE QUALIFIED RETAILER;

19 (IV) ANY PENALTIES OR OTHER REMEDIES FOR NONCOMPLIANCE;

20 (V) THE SERIAL NUMBER OF THE TAX CREDIT CERTIFICATE; AND

21 (VI) ANY OTHER REQUIREMENTS DEEMED NECESSARY BY THE
22 DEPARTMENT AS A CONDITION OF ISSUING THE TAX CREDIT CERTIFICATE.

23 (g) (I) THE DEPARTMENT SHALL NOT ISSUE A TAX CREDIT
24 CERTIFICATE TO ANY QUALIFIED RETAILER THAT FAILS TO PROVIDE THE
25 TAX CREDIT SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE
26 DEPARTMENT.

27 (II) A QUALIFIED RETAILER THAT FAILS TO PROVIDE THE TAX

1 CREDIT SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE DEPARTMENT
2 IS SUBJECT TO A PENALTY EQUAL TO TEN PERCENT OF THE AMOUNT OF THE
3 PURCHASE PRICE THAT REMAINS UNPAID. THE PENALTY MUST BE PAID TO
4 THE DEPARTMENT WITHIN THIRTY DAYS AFTER DEMAND.

5 (III) THE DEPARTMENT MAY OFFER TO REALLOCATE THE
6 DEFAULTED TAX CREDITS AMONG OTHER QUALIFIED RETAILERS SO THAT
7 THE RESULT AFTER REALLOCATION IS THE SAME AS IF THE INITIAL
8 ALLOCATION HAD BEEN PERFORMED WITHOUT CONSIDERING THE TAX
9 CREDIT ALLOCATION TO THE DEFAULTING QUALIFIED RETAILER.

10 (IV) IF THE REALLOCATION OF TAX CREDITS UNDER SUBSECTION
11 (5.5)(g)(III) OF THIS SECTION RESULTS IN THE PAYMENT BY ANOTHER
12 QUALIFIED RETAILER OF THE AMOUNT OF TAX CREDIT SALE PROCEEDS NOT
13 PAID BY THE DEFAULTING QUALIFIED RETAILER, THE DEPARTMENT MAY
14 WAIVE THE PENALTY IMPOSED UNDER SUBSECTION (5.5)(g)(II) OF THIS
15 SECTION.

16 (V) A QUALIFIED RETAILER THAT FAILS TO PAY THE TAX CREDIT
17 SALE PROCEEDS WITHIN THE TIME SPECIFIED BY THE DEPARTMENT MAY
18 AVOID THE IMPOSITION OF THE PENALTY BY TRANSFERRING THE
19 ALLOCATION OF TAX CREDITS TO A NEW OR EXISTING QUALIFIED RETAILER
20 WITHIN THIRTY DAYS AFTER THE DUE DATE OF THE DEFAULTED
21 INSTALLMENT. ANY TRANSFEREE OF AN ALLOCATION OF TAX CREDITS OF
22 A DEFAULTING QUALIFIED RETAILER UNDER THIS SUBSECTION (5.5)(g)
23 SHALL AGREE TO PAY THE TAX CREDIT SALE PROCEEDS WITHIN FIVE DAYS
24 AFTER THE DATE OF THE TRANSFER.

25 (h) FOR A TAX CREDIT CERTIFICATE ISSUED IN FISCAL YEAR
26 2025-26, THE QUALIFIED RETAILER MAY CLAIM UP TO THE FULL AMOUNT
27 OF THE CREDIT AGAINST ITS INCOME TAX LIABILITY INCURRED FOR A

1 TAXABLE YEAR THAT BEGINS ON OR AFTER JANUARY 1, 2030; EXCEPT
2 THAT A QUALIFIED RETAILER MAY NOT REDUCE ITS ESTIMATED TAX
3 PAYMENTS IN PROPORTION TO SUCH CREDIT PRIOR TO JULY 1, 2030.

4 (i) (I) THE TOTAL CREDIT TO BE APPLIED BY A QUALIFIED RETAILER
5 IN ANY ONE YEAR MUST NOT EXCEED THE INCOME TAX LIABILITY OF THE
6 QUALIFIED RETAILER FOR THE TAXABLE YEAR. IF THE QUALIFIED RETAILER
7 CANNOT USE THE ENTIRE AMOUNT OF THE TAX CREDIT FOR THE TAXABLE
8 YEAR IN WHICH THE QUALIFIED RETAILER IS ELIGIBLE FOR THE CREDIT, THE
9 EXCESS MAY BE CARRIED OVER TO SUCCEEDING TAXABLE YEARS AND
10 USED AS A CREDIT AGAINST THE INCOME TAX LIABILITY OF THE QUALIFIED
11 RETAILER FOR THOSE TAXABLE YEARS; EXCEPT THAT, FOR A CREDIT
12 ISSUED IN FISCAL YEAR 2025-26, THE CREDIT MAY NOT BE CARRIED OVER
13 TO ANY TAXABLE YEAR THAT BEGINS AFTER DECEMBER 31, 2050.

14 (II) ANY AMOUNT OF THE CREDIT THAT IS NOT TIMELY CLAIMED
15 EXPIRES AND IS NOT REFUNDABLE.

16 (j) A QUALIFIED RETAILER CLAIMING A CREDIT UNDER THIS
17 SUBSECTION (5.5) SHALL SUBMIT THE TAX CREDIT CERTIFICATE WITH ITS
18 TAX RETURN.

19 (k) A QUALIFIED RETAILER CLAIMING A CREDIT UNDER THIS
20 SUBSECTION (5.5) SHALL NOT BE REQUIRED TO PAY ANY ADDITIONAL OR
21 RETALIATORY TAX AS A RESULT OF CLAIMING THE CREDIT.

22 (l) IF A QUALIFIED RETAILER HOLDING AN UNCLAIMED TAX CREDIT
23 IS PART OF A MERGER, ACQUISITION, OR LINE OF BUSINESS DIVESTITURE
24 TRANSACTION, THE TAX CREDIT MAY BE TRANSFERRED TO AND ASSUMED
25 BY THE RESULTING ENTITY IF THE RESULTING ENTITY IS AN RETAILER
26 AUTHORIZED TO DO BUSINESS IN COLORADO THAT HAS INCOME TAX
27 LIABILITY. THE QUALIFIED RETAILER THAT ORIGINALLY PURCHASED THE

1 CREDIT AND THE RESULTING ENTITY SHALL NOTIFY THE DEPARTMENT IN
2 WRITING OF THE TRANSFER OR ASSUMPTION OF THE CREDIT IN
3 ACCORDANCE WITH PROCEDURES ADOPTED BY THE DEPARTMENT. THE
4 DEPARTMENT SHALL MAINTAIN A RECORD OF THE TRANSFER OR
5 ASSUMPTION OF THE TAX CREDIT. THE TRANSFER OR ASSUMPTION OF THE
6 TAX CREDIT DOES NOT AFFECT THE TIME SCHEDULE FOR CLAIMING THE
7 TAX CREDIT AS PROVIDED IN THIS SUBSECTION (5.5).

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

18 (8) This section is repealed, effective ~~December 31, 2038~~
19 DECEMBER 31, 2055.

20 **SECTION 7. Safety clause.** The general assembly finds,
21 determines, and declares that this act is necessary for the immediate
22 preservation of the public peace, health, or safety or for appropriations for
23 the support and maintenance of the departments of the state and state
24 institutions.