

**First Regular Session
Seventieth General Assembly
STATE OF COLORADO**

PREAMENDED

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

LLS NO. 15-0375.01 Esther van Mourik x4215

HOUSE BILL 15-1132

HOUSE SPONSORSHIP

Coram and Becker K.,

SENATE SPONSORSHIP

(None),

House Committees

Transportation & Energy
Finance
Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING A TAX CREDIT FOR RESIDENT INDIVIDUALS MAKING**
102 **QUALIFIED IMPROVEMENTS TO INCREASE THEIR HOME ENERGY**
103 **EFFICIENCY.**

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://www.leg.state.co.us/bills summaries>.)

The bill creates a residential energy reduction income tax credit for the income tax years commencing on or after January 1, 2015, but prior to January 1, 2020, for any resident individual who makes qualified improvements to their home that result in improved energy efficiency, measured in millions of British thermal units (MMBTU). In order to

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

claim the credit, a resident individual must seek a credit certificate from the Colorado energy office (office) and must also obtain a pre-improvement residential energy efficiency audit from a certified home energy rater. After the improvements are made, a post-improvement inspection must be conducted that establishes the net residential energy reduction as compared to the pre-improvement residential energy efficiency audit. For a qualified residence, the tax credit is equal to:

- ! \$1,000 for a residential energy reduction of 30 or more but less than 45 MMBTU;
- ! \$1,500 for a residential energy reduction of 45 or more but less than 60 MMBTU; or
- ! \$2,000 for a residential energy reduction of 60 or more MMBTU.

The bill also specifies that the office has the authority to reduce the amount of the tax credit by an amount less than or equal to any available residential energy efficiency utility rebates or other such incentives available through the office, and requires the office to post guidelines on its web site to explain how this reduction will occur.

The bill also allows the office to reduce a tax credit, after an accounting of the cost of the qualified improvements, if the costs are not sufficient to justify a full tax credit, notwithstanding the MMBTU residential energy reduction for the qualified residence. The bill requires the office to post guidelines on its web site to explain how a tax credit could be reduced dependent on the cost of the qualified improvements.

The tax credit is nonrefundable, but it is allowed to be carried forward as an offset to future tax liability for a period of 5 years.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-538 as
3 follows:

4 **39-22-538. Residential energy reduction tax credit - legislative**
5 **declaration - definitions - repeal.** (1) THE GENERAL ASSEMBLY
6 DECLARES THAT THE PURPOSE OF THE TAX EXPENDITURE IN THIS SECTION
7 IS TO ENCOURAGE HOMEOWNERS TO INCREASE THEIR HOME ENERGY
8 EFFICIENCY BECAUSE HOME HEATING AND ELECTRICITY COSTS ARE A
9 SIGNIFICANT HOUSEHOLD EXPENSE WITH A GREATER IMPACT ON
10 RESIDENTS LIVING IN LESS EFFICIENT HOMES.

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

3 (a) "BRITISH THERMAL UNITS" OR "BTU" IS A STANDARD UNIT OF
4 MEASUREMENT FOR ENERGY CONSUMPTION AND DENOTES BOTH THE
5 AMOUNT OF HEAT ENERGY IN FUELS AND THE ABILITY OF APPLIANCES AND
6 AIR CONDITIONING SYSTEMS TO PRODUCE HEATING AND COOLING.

7 (b) "CERTIFIED HOME ENERGY RATER" MEANS AN INDIVIDUAL OR
8 COMPANY WHO MEETS COLORADO ENERGY OFFICE CERTIFICATION
9 GUIDELINES AND WHO INSPECTS AND EVALUATES HOME ENERGY FEATURES
10 AND RECOMMENDS QUALIFIED IMPROVEMENTS FOR A QUALIFIED
11 RESIDENCE.

12 (c) "COLORADO ENERGY OFFICE" OR "OFFICE" MEANS THE
13 COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-102, C.R.S.

14 (d) "CREDIT CERTIFICATE" MEANS A STATEMENT ISSUED BY THE
15 COLORADO ENERGY OFFICE CERTIFYING THAT A GIVEN RESIDENT
16 INDIVIDUAL QUALIFIES FOR THE CREDIT AUTHORIZED IN THIS SECTION AND
17 SPECIFYING THE AMOUNT OF THE CREDIT ALLOWED.

18 (e) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

19 (f) "MMBTU" MEANS ONE MILLION BTU.

20 (g) "QUALIFIED IMPROVEMENT" MEANS ENERGY EFFICIENCY
21 IMPROVEMENTS TO A QUALIFIED RESIDENCE IN ACCORDANCE WITH
22 RECOMMENDATIONS MADE BY A CERTIFIED HOME ENERGY RATER.
23 QUALIFIED IMPROVEMENTS INCLUDE SPACE CONDITIONING,
24 IMPROVEMENTS TO HOT WATER HEATING, WINDOW REPLACEMENTS, AIR
25 SEALING, INSULATION MEASURES, AND OTHER MEASURES AS IDENTIFIED
26 IN THE OFFICE'S GUIDELINES. QUALIFIED IMPROVEMENTS DO NOT INCLUDE
27 CHANGES TO LIGHTING OR THE REPLACEMENT OF APPLIANCES.

1 (h) "QUALIFIED RESIDENCE" MEANS A RESIDENCE IN COLORADO
2 WHERE HEATING SYSTEMS ARE NOT JOINTLY UTILIZED BY OTHER UNITS;
3 EXCEPT THAT, IF THE QUALIFIED RESIDENCE OWNED BY A RESIDENT
4 INDIVIDUAL IS SOLD TO ANOTHER RESIDENT INDIVIDUAL AFTER CREDIT
5 CERTIFICATES HAVE BEEN ISSUED FOR THAT QUALIFIED RESIDENCE TO THE
6 FIRST RESIDENT INDIVIDUAL OWNER, THE OFFICE MAY DETERMINE THAT
7 SUCH RESIDENCE IS NOT QUALIFIED IF A PREVIOUS OWNER OF THE
8 QUALIFIED RESIDENCE HAD ALREADY RECEIVED THE MAXIMUM CREDIT
9 CERTIFICATES TOTALING TWO THOUSAND DOLLARS.

10 (3) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
11 JANUARY 1, 2016, BUT PRIOR TO JANUARY 1, 2019, THERE MAY, AT THE
12 DISCRETION OF THE COLORADO ENERGY OFFICE, BE ALLOWED TO ANY
13 RESIDENT INDIVIDUAL WHO OWNS A QUALIFIED RESIDENCE A RESIDENTIAL
14 ENERGY REDUCTION TAX CREDIT AGAINST THE TAXES DUE UNDER THIS
15 ARTICLE IN THE AMOUNT DETERMINED BY THE OFFICE PURSUANT TO
16 PARAGRAPH (b) OF THIS SUBSECTION (3).

17 (b) THE COLORADO ENERGY OFFICE HAS THE EXCLUSIVE
18 AUTHORITY TO APPROVE ANY RESIDENTIAL ENERGY REDUCTION TAX
19 CREDITS ALLOWED PURSUANT TO PARAGRAPH (a) OF THIS SUBSECTION (3)
20 AND TO ISSUE THE NECESSARY CREDIT CERTIFICATE TO THE RESIDENT
21 INDIVIDUAL. IN ORDER TO RECEIVE A CREDIT CERTIFICATE FROM THE
22 COLORADO ENERGY OFFICE, A RESIDENT INDIVIDUAL MUST FIRST OBTAIN
23 A PRE-IMPROVEMENT RESIDENTIAL ENERGY EFFICIENCY ASSESSMENT
24 FROM A CERTIFIED HOME ENERGY RATER. EXCEPT AS PROVIDED IN
25 PARAGRAPH (c) OF THIS SUBSECTION (3), THE AMOUNT OF THE TAX CREDIT
26 IS DETERMINED AFTER A POST-IMPROVEMENT INSPECTION THAT
27 ESTABLISHES THE NET RESIDENTIAL ENERGY REDUCTION AS COMPARED TO

1 THE PRE-IMPROVEMENT RESIDENTIAL ENERGY EFFICIENCY ASSESSMENT
2 AND EQUALS:

3 (I) ONE THOUSAND DOLLARS FOR AN ANNUALIZED NET
4 RESIDENTIAL ENERGY REDUCTION OF THIRTY OR MORE BUT LESS THAN
5 FORTY-FIVE MMBTU FOR EACH QUALIFIED RESIDENCE;

6 (II) ONE THOUSAND FIVE HUNDRED DOLLARS FOR AN ANNUALIZED
7 NET RESIDENTIAL ENERGY REDUCTION OF FORTY-FIVE OR MORE BUT LESS
8 THAN SIXTY MMBTU FOR EACH QUALIFIED RESIDENCE; OR

9 (III) TWO THOUSAND DOLLARS FOR AN ANNUALIZED NET
10 RESIDENTIAL ENERGY REDUCTION OF SIXTY OR MORE MMBTU FOR EACH
11 QUALIFIED RESIDENCE.

12 (c) (I) A RESIDENT INDIVIDUAL MAY SEEK A CREDIT CERTIFICATE
13 FOR QUALIFIED IMPROVEMENTS TO A QUALIFIED RESIDENCE IN EACH TAX
14 YEAR THE TAX CREDIT IS AVAILABLE; EXCEPT THAT A RESIDENT
15 INDIVIDUAL IS NOT ENTITLED TO MULTIPLE CREDIT CERTIFICATES THAT
16 TOGETHER TOTAL MORE THAN TWO THOUSAND DOLLARS FOR EACH
17 QUALIFIED RESIDENCE.

18 (II) AT THE TIME OF ISSUING THE CREDIT CERTIFICATE, THE OFFICE
19 HAS THE AUTHORITY TO REDUCE THE AMOUNT OF THE TAX CREDIT BY AN
20 AMOUNT LESS THAN OR EQUAL TO ANY AVAILABLE RESIDENTIAL ENERGY
21 EFFICIENCY UTILITY REBATES OR OTHER SUCH INCENTIVES AVAILABLE
22 THROUGH THE OFFICE. NO LATER THAN OCTOBER 1, 2016, AND EACH
23 OCTOBER 1 THEREAFTER THROUGH OCTOBER 1, 2018, THE OFFICE SHALL
24 ESTABLISH GUIDELINES THAT ARE POSTED ON ITS WEB SITE EXPLAINING
25 HOW A TAX CREDIT WILL ACCOUNT FOR ANY AVAILABLE RESIDENTIAL
26 ENERGY EFFICIENCY UTILITY REBATES OR OTHER SUCH INCENTIVES
27 AVAILABLE THROUGH THE OFFICE.

1 (III) AT THE TIME OF ISSUING THE CREDIT CERTIFICATE, THE
2 OFFICE HAS THE AUTHORITY TO REDUCE THE AMOUNT OF THE TAX CREDIT
3 AFTER AN ACCOUNTING FOR THE COST OF THE QUALIFIED IMPROVEMENTS.
4 IF THE OFFICE DETERMINES AFTER AN ACCOUNTING OF THE COST OF THE
5 QUALIFIED IMPROVEMENTS THAT SUCH COSTS ARE NOT SUFFICIENT TO
6 JUSTIFY A FULL TAX CREDIT, NOTWITHSTANDING THE MMBTU
7 RESIDENTIAL ENERGY REDUCTION FOR THE QUALIFIED RESIDENCE, THE
8 OFFICE MAY REDUCE THE AMOUNT OF THE TAX CREDIT. NO LATER THAN
9 OCTOBER 1, 2016, AND EACH OCTOBER 1 THEREAFTER THROUGH
10 OCTOBER 1, 2018, THE OFFICE SHALL ESTABLISH GUIDELINES THAT ARE
11 POSTED ON ITS WEB SITE EXPLAINING HOW A TAX CREDIT COULD BE
12 REDUCED DEPENDENT ON THE COST OF THE QUALIFIED IMPROVEMENTS.

13 (d) TO CLAIM THE RESIDENTIAL ENERGY REDUCTION TAX CREDIT,
14 THE RESIDENT INDIVIDUAL SHALL ATTACH A COPY OF THE CREDIT
15 CERTIFICATE TO HIS OR HER TAX RETURN. NO TAX CREDIT IS ALLOWED
16 UNDER THIS SECTION UNLESS THE TAXPAYER PROVIDES THE COPY OF THE
17 CREDIT CERTIFICATE.

18 (4) (a) THE COLORADO ENERGY OFFICE SHALL ESTABLISH IN
19 GUIDELINES POSTED ON ITS WEB SITE HOW A RESIDENT INDIVIDUAL MAY
20 OBTAIN A PRE-IMPROVEMENT RESIDENTIAL ENERGY EFFICIENCY
21 ASSESSMENT. THE GUIDELINES MUST INCLUDE A LIST OF AVAILABLE
22 CERTIFIED HOME ENERGY RATERS IN VARIOUS REGIONS OF THE STATE.

23 (b) THE COLORADO ENERGY OFFICE SHALL ESTABLISH
24 CERTIFICATION REQUIREMENTS FOR CERTIFIED HOME ENERGY RATERS IN
25 GUIDELINES POSTED ON ITS WEB SITE.

26 (c) POST-IMPROVEMENT INSPECTIONS MUST BE CONDUCTED BY A
27 CERTIFIED HOME ENERGY RATER.

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(5) IF THE AMOUNT OF THE CREDIT ALLOWED IN THIS SECTION EXCEEDS THE AMOUNT OF INCOME TAXES OTHERWISE DUE ON THE RESIDENT INDIVIDUAL'S INCOME IN THE INCOME TAX YEAR FOR WHICH THE CREDIT IS BEING CLAIMED, THE AMOUNT OF THE CREDIT NOT USED AS AN OFFSET AGAINST INCOME TAXES IN THE CURRENT INCOME TAX YEAR MAY BE CARRIED FORWARD AND USED AS A CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY FOR A PERIOD NOT TO EXCEED FIVE YEARS AND MUST BE APPLIED FIRST TO THE EARLIEST INCOME TAX YEARS POSSIBLE. ANY CREDIT REMAINING AFTER THE FIVE YEAR PERIOD MAY NOT BE REFUNDED OR CREDITED TO THE TAXPAYER.

(6) NO LATER THAN NOVEMBER 1, 2015, AND NO LATER THAN NOVEMBER 1 OF EACH YEAR THEREAFTER THROUGH NOVEMBER 1, 2018, THE COLORADO ENERGY OFFICE SHALL PROVIDE THE DEPARTMENT WITH AN ELECTRONIC REPORT OF THE TAXPAYERS RECEIVING A CREDIT CERTIFICATE AS ALLOWED IN THIS SECTION FOR THE PRECEDING CALENDAR YEAR THAT INCLUDES THE FOLLOWING INFORMATION:

- (a) THE TAXPAYER'S NAME;
- (b) THE TAXPAYER'S SOCIAL SECURITY NUMBER; AND
- (c) THE AMOUNT OF THE CREDIT ALLOWED IN THIS SECTION.

(7) IN REVIEWING THE PLANNED AND ACTUAL ENERGY SAVINGS ACHIEVEMENT OF A PUBLIC UTILITY UNDER THE DEMAND-SIDE MANAGEMENT PROGRAMS SET FORTH IN SECTIONS 40-3.2-103 AND 40-3.2-104, C.R.S., THE PUBLIC UTILITIES COMMISSION SHALL NOT PENALIZE THE ENERGY SAVINGS ACHIEVEMENT OF A PUBLIC UTILITY BECAUSE PARTICIPANTS IN SUCH PROGRAMS ALSO QUALIFY FOR INCOME TAX CREDITS UNDER THIS SECTION.

1 (8) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2024.

2 **SECTION 2. Safety clause.** The general assembly hereby finds,
3 determines, and declares that this act is necessary for the immediate
4 preservation of the public peace, health, and safety.