

First Regular Session
Seventieth General Assembly
STATE OF COLORADO

ENGROSSED

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

LLS NO. 15-0375.01 Esther van Mourik x4215

HOUSE BILL 15-1132

HOUSE SPONSORSHIP

Coram and Becker K.,

SENATE SPONSORSHIP

Hodge and Scott,

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, AND, IN CONNECTION THEREWITH, MAKING AN**
104 **APPROPRIATION.**

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/billsummaries>.)

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

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.

HOUSE
Amended 2nd Reading
April 14, 2015

improvements to their home that result in improved energy efficiency, measured in millions of British thermal units (MMBTU). In order to 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 RESIDENTS

1 LIVING IN LESS EFFICIENT HOMES.

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

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

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

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

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

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

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

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

1 CHANGES TO LIGHTING OR THE REPLACEMENT OF APPLIANCES.

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

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

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

1 ESTABLISHES THE NET RESIDENTIAL ENERGY REDUCTION AS COMPARED TO
2 THE PRE-IMPROVEMENT RESIDENTIAL ENERGY EFFICIENCY ASSESSMENT
3 AND EQUALS:

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

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

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

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

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

1 AVAILABLE THROUGH THE OFFICE.

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

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

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

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

27 (c) POST-IMPROVEMENT INSPECTIONS MUST BE CONDUCTED BY A

1 CERTIFIED HOME ENERGY RATER.

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

13 (6) THE COLORADO ENERGY OFFICE SHALL, IN A SUFFICIENTLY
14 TIMELY MANNER TO ALLOW THE DEPARTMENT TO PROCESS RETURNS
15 CLAIMING THE CREDIT ALLOWED BY THIS SECTION, PROVIDE THE
16 DEPARTMENT WITH AN ELECTRONIC REPORT OF THE TAXPAYERS
17 RECEIVING A CREDIT CERTIFICATE AS ALLOWED IN THIS SECTION FOR THE
18 PRECEDING CALENDAR YEAR THAT INCLUDES THE FOLLOWING
19 INFORMATION:

20 (a) THE TAXPAYER'S NAME;

21 (b) THE TAXPAYER'S SOCIAL SECURITY NUMBER; AND

22 (c) THE AMOUNT OF THE CREDIT ALLOWED IN THIS SECTION.

23 (7) IN REVIEWING THE PLANNED AND ACTUAL ENERGY SAVINGS
24 ACHIEVEMENT OF A PUBLIC UTILITY UNDER THE DEMAND-SIDE
25 MANAGEMENT PROGRAMS SET FORTH IN SECTIONS 40-3.2-103 AND
26 40-3.2-104, C.R.S., THE PUBLIC UTILITIES COMMISSION SHALL NOT
27 PENALIZE THE ENERGY SAVINGS ACHIEVEMENT OF A PUBLIC UTILITY

1 BECAUSE PARTICIPANTS IN SUCH PROGRAMS ALSO QUALIFY FOR INCOME
2 TAX CREDITS UNDER THIS SECTION.

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

4 **SECTION 2. Appropriation.** (1) For the 2015-16 state fiscal
5 year, \$38,188 is appropriated to the office of the governor for use by the
6 Colorado energy office. This appropriation is from the general fund and
7 is based on an assumption that the office will require an additional 0.5
8 FTE. To implement this act, the office may use this appropriation for
9 program administration.

10 (2) For the 2015-16 state fiscal year, \$26,640 is appropriated to
11 the department of revenue. This appropriation is from the general fund.
12 To implement this act, the department may use this appropriation as
13 follows:

14 (a) \$25,440 for CITA annual maintenance and support; and

15 (b) \$1,200 for the purchase of document management services
16 from the department of personnel.

17 (3) For the 2015-16 state fiscal year, \$1,200 is appropriated to the
18 department of personnel. This appropriation is from reappropriated funds
19 received from the department of revenue under paragraph (b) of
20 subsection (2) of this section. To implement this act, the department of
21 personnel may use this appropriation for operating expense related to the
22 provision of document management services for the department of
23 revenue.

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