First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

REENGROSSED

This Version Includes All Amendments Adopted in the House of Introduction

LLS NO. 25-0215.01 Jed Franklin x5484

SENATE BILL 25-026

SENATE SPONSORSHIP

Mullica, Frizell, Weissman, Coleman, Kipp

HOUSE SPONSORSHIP

Marshall and Joseph,

Senate Committees
Finance
Appropriations

House Committees

A BILL FOR AN ACT

CONCERNING THE ADJUSTMENT OF CERTAIN TAX EXPENDITURES.

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/.)

Legislative Oversight Committee Concerning Tax Policy. The bill adjusts several tax expenditures as follows:

- **Section 1** of the bill disallows the income tax credit for unsalable alcohol after December 31, 2025, and repeals the credit on December 31, 2030;
- Currently, a taxpayer is allowed to deduct up to 2% of the taxable gallons of fuel removed from a fuel terminal to account for fuel that is lost in transit. **Section 2** changes the

SENATE
3rd Reading Unamended
April 28, 2025

SENATE
Amended 2nd Reading
April 25, 2025

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

allowance to 1% starting January 1, 2026.

- Currently, for income tax years commencing before January 1, 2025, a purchaser who installs an energy storage system in a residential dwelling may claim an income tax credit in an amount equal to 10% of the purchase price paid by the purchaser for the energy storage system. **Section 3** extends the credit to include subsequent income tax years commencing before January 1, 2027, and extends the repeal of the credit from January 1, 2028, to January 1, 2030.
- Currently, the reducing emissions from lawn equipment income tax credit is available until the tax year beginning January 1, 2027, and the department of revenue is required to issue a report on the credit for each income tax year from January 1, 2025, through January 1, 2028. **Section 4** extends the credit until the tax year beginning January 1, 2029, extends the reporting requirement through January 1, 2030, and extends the repeal date of the credit from December 31, 2033, to December 31, 2035.
- By amending a definition of "agricultural compounds" that is incorporated into the definition of "wholesale sale" used for purposes of the sales and use tax statutes, **section 5** exempts from sales and use tax soil conditioners, plant amendments, plant growth regulators, mulches, compost, soil used for aboveground production of agricultural commodities, manure, fish for non-stocking purposes, fish embryos, and fish eggs beginning January 1, 2026;
- **Section 6** states that the purpose of the insolvency assessments paid insurance premium tax credit is to offset the cost for an insurer paying required assessments into the life and health insurance protection association and that the credit's effectiveness is measured by how many eligible insurers claim the credit and the amount claimed relative to payments into the life and health insurance protection association;
- **Sections 7 and 8** state that the purpose of the state refund income tax deduction is to avoid re-taxing a taxpayer's state income tax refund when a state refund is required to be included as income on the taxpayer's federal return pursuant to the internal revenue code and that the effectiveness of the deduction is measured by the number of taxpayers claiming the deduction and the total amount of state refunds claimed as deductions from Colorado taxable income;
- **Section 9** states that the purpose of the dyed special fuels

and off-road fuel tax excise tax exemption is to entirely exclude dyed diesel or kerosene from the special fuels excise tax where the dyed fuel is used for specified off-road purposes or by governmental entities and that the effectiveness of the exemption is measured by the number of taxpayers claiming the exemption and the amount of tax that would have been paid without the exemption;

- **Section 10** states that the purpose of the off-road fuel use refund is to compensate taxpayers who buy and pay the tax on otherwise taxable fuels for the purpose of using the fuels for specified non-taxable purposes under federal law and that the effectiveness of the refund is measured by the number of taxpayers claiming a refund and the amount of tax that was already collected and is refunded; and
- **Section 11** states that the purpose of the wholesale sales exemption from sales tax is to ensure that sales tax is levied and collected only on a final end sale to a retail consumer and not on wholesale sales and that the effectiveness of the wholesale exemption from sales tax is measured by the number of taxpayers claiming the wholesale exemption from tax and the amount of tax liability not paid.

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

SECTION 1. In Colorado Revised Statutes, 44-3-503, **amend** (9) as follows:

44-3-503. Excise tax - records - rules - definition - repeal. (9) (a) The department shall make a refund or allow a credit to the manufacturer, the wholesaler, or the holder of a winery direct shipper's permit, as the case may be, of the amount of the excise tax paid on alcohol beverages sold in this state when, after payment of the excise tax, the alcohol beverages are rendered unsalable by reason of destruction or damage upon submission of evidence satisfactory to the state licensing authority that the excise tax has actually been paid. Such refund or credit shall be made by the department within sixty days after the submission of evidence satisfactory to the department. NO REFUND OR CREDIT IS

ALLOWED AFTER DECEMBER 31, 2025.

(b) THIS SUBSECTION (9) IS REPEALED, EFFECTIVE DECEMBER 31, 2030.

SECTION 2. In Colorado Revised Statutes, 39-22-546, **amend** (3)(a) and (7) as follows:

39-22-546. Credit against tax - residential energy storage systems - tax preference performance statement - legislative declaration - definition - repeal. (3) (a) For income tax years commencing on or after January 1, 2023, but before ~~January 1, 2025~~ JANUARY 1, 2027, any purchaser that installs an energy storage system in a residential dwelling in this state is allowed a credit against the tax imposed by this article 22 in an amount equal to ten percent of the purchase price paid by the purchaser for the energy storage system.

(7) This section is repealed, effective ~~January 1, 2028~~ JANUARY 1, 2030.

SECTION 3. In Colorado Revised Statutes, 39-26-102, **amend** (19)(c)(II) introductory portion and (19)(c)(II)(C); and **add** (19)(c)(II)(D) as follows:

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

(19) (c) (II) For purposes of this ~~paragraph (c)~~ SUBSECTION (19)(c), "agricultural compounds" means:

(C) Animal pharmaceuticals that have been approved by the food and drug administration; OR

(D) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY

1, 2026, SOIL CONDITIONERS, PLANT AMENDMENTS, PLANT GROWTH REGULATORS, MULCHES, COMPOST, SOIL USED FOR ABOVEGROUND PRODUCTION OF AGRICULTURAL COMMODITIES, MANURE, FISH FOR NON-STOCKING PURPOSES, FISH EMBRYOS, AND FISH EGGS.

SECTION 4. In Colorado Revised Statutes, 10-20-113, **add** (3) as follows:

10-20-113. Credits for assessments paid - tax offsets. (3) (a) THE PURPOSE OF THE CREDIT AUTHORIZED IN SUBSECTION (1)(a) OF THIS SECTION IS TO OFFSET THE COST FOR AN INSURER PAYING REQUIRED ASSESSMENTS INTO THE LIFE AND HEALTH INSURANCE PROTECTION ASSOCIATION CREATED IN SECTION 10-20-106 (1).

(b) THE EFFECTIVENESS OF THE CREDIT AUTHORIZED IN SUBSECTION (1)(a) OF THIS SECTION IS MEASURED BY HOW MANY ELIGIBLE INSURERS CLAIM THE CREDIT AND THE AMOUNT CLAIMED RELATIVE TO PAYMENTS INTO THE LIFE AND HEALTH INSURANCE PROTECTION ASSOCIATION CREATED IN SECTION 10-20-106 (1).

SECTION 5. In Colorado Revised Statutes, 39-22-104, **amend** (4)(e) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - report - tax preference performance statement - legislative declaration - definitions - repeal. (4) There shall be subtracted from federal taxable income:

(e) (I) The amount of any refund or credit for overpayment of income taxes imposed by this state or any other taxing jurisdiction to the extent included in gross income for federal income tax purposes but not previously allowed as a deduction for Colorado income tax purposes;

(II) THE PURPOSE OF THE DEDUCTION AUTHORIZED IN THIS

SUBSECTION (4)(e) IS TO AVOID RE-TAXING A TAXPAYER'S STATE INCOME TAX REFUND WHEN A STATE REFUND IS REQUIRED TO BE INCLUDED AS INCOME ON THE TAXPAYER'S FEDERAL RETURN PURSUANT TO THE INTERNAL REVENUE CODE;

(III) THE EFFECTIVENESS OF THE DEDUCTION AUTHORIZED IN THIS SUBSECTION (4)(e) IS MEASURED BY THE NUMBER OF TAXPAYERS CLAIMING THE DEDUCTION AND THE TOTAL AMOUNT OF STATE REFUNDS CLAIMED AS DEDUCTIONS FROM COLORADO TAXABLE INCOME;

SECTION 6. In Colorado Revised Statutes, 39-22-304, **amend** (3)(f) as follows:

39-22-304. Net income of corporation - legislative declaration - definitions - repeal. (3) There shall be subtracted from federal taxable income:

(f) (I) The amount of any refund or credit for overpayment of income taxes imposed by this state to the extent included in federal taxable income;

(II) THE PURPOSE OF THE DEDUCTION AUTHORIZED IN THIS SUBSECTION (3)(f) IS TO AVOID RE-TAXING A TAXPAYER'S STATE INCOME TAX REFUND WHEN A STATE REFUND IS REQUIRED TO BE INCLUDED AS INCOME ON THE TAXPAYER'S FEDERAL RETURN PURSUANT TO THE INTERNAL REVENUE CODE; AND

(III) THE EFFECTIVENESS OF THE DEDUCTION AUTHORIZED IN THIS SUBSECTION (3)(f) IS MEASURED BY THE NUMBER OF TAXPAYERS CLAIMING THE DEDUCTION AND THE TOTAL AMOUNT OF STATE REFUNDS CLAIMED AS DEDUCTIONS FROM COLORADO TAXABLE INCOME;

SECTION 7. In Colorado Revised Statutes, 39-27-102.5, **add** (2.3) as follows:

39-27-102.5. Exemptions on tax imposed - ex-tax purchases - performance statement - definition - repeal. (2.3) (a) THE PURPOSE OF THE EXEMPTION AUTHORIZED IN SUBSECTIONS (1.5) AND (2)(a) OF THIS SECTION IS TO ENTIRELY EXCLUDE DYED DIESEL OR KEROSENE FROM THE SPECIAL FUELS EXCISE TAX WHERE THE DYED FUEL IS USED FOR SPECIFIED OFF-ROAD PURPOSES OR BY GOVERNMENTAL ENTITIES.

(b) THE EFFECTIVENESS OF THE EXEMPTION AUTHORIZED IN SUBSECTIONS (1.5) AND (2)(a) OF THIS SECTION IS MEASURED BY THE NUMBER OF TAXPAYERS CLAIMING THE EXEMPTION AND THE AMOUNT OF TAX THAT WOULD HAVE BEEN PAID WITHOUT THE EXEMPTION.

SECTION 8. In Colorado Revised Statutes, 39-27-103, **add** (8) as follows:

39-27-103. Refunds - penalties - checkoff - limits on collections - performance statement. (8) (a) THE PURPOSE OF THE REFUND AUTHORIZED IN SUBSECTIONS (2.7) AND (3) OF THIS SECTION IS TO COMPENSATE TAXPAYERS WHO BUY AND PAY THE TAX ON OTHERWISE TAXABLE FUELS FOR THE PURPOSE OF USING THE FUELS FOR SPECIFIED NON-TAXABLE PURPOSES UNDER FEDERAL LAW.

(b) THE EFFECTIVENESS OF THE REFUND AUTHORIZED IN SUBSECTIONS (2.7) AND (3) OF THIS SECTION IS MEASURED BY THE NUMBER OF TAXPAYERS CLAIMING A REFUND AND THE AMOUNT OF TAX THAT WAS ALREADY COLLECTED AND IS REFUNDED.

SECTION 9. In Colorado Revised Statutes, 39-26-102, **amend** (19)(a) as follows:

39-26-102. Performance statement - definitions. As used in this article 26, unless the context otherwise requires:

(19) (a) (I) "Wholesale sale" means a sale by wholesalers to retail

merchants, jobbers, dealers, or other wholesalers for resale and does not include a sale by wholesalers to users or consumers not for resale, and the latter sales shall be deemed retail sales and subject to the provisions of this ~~article~~ ARTICLE 26.

(II) THE PURPOSE OF THE WHOLESALE SALE EXEMPTION FROM THE TAX LEVIED PURSUANT TO SECTION 39-26-104 (1)(a) IS TO ENSURE THAT SALES TAX IS LEVIED AND COLLECTED ONLY ON A FINAL END SALE TO A RETAIL CONSUMER AND NOT ON WHOLESALE SALES TO AVOID A SINGLE PRODUCT BEING TAXED MULTIPLE TIMES BEFORE IT IS SOLD TO A CONSUMER.

(III) THE EFFECTIVENESS OF THE WHOLESALE EXEMPTION FROM THE TAX LEVIED PURSUANT TO SECTION 39-26-104 (1)(a) IS MEASURED BY THE NUMBER OF TAXPAYERS CLAIMING THE WHOLESALE EXEMPTION FROM TAX AND THE AMOUNT OF TAX LIABILITY NOT PAID.

SECTION 10. In Colorado Revised Statutes, 39-26-402, **amend** (1) as follows:

39-26-402. Refund of state sales and use tax for biotechnology - application requirements and procedures. (1) For the calendar year commencing January 1, 1999, and for each calendar year thereafter prior to ~~January 1, 2026~~ JANUARY 1, 2027, each qualified biotechnology taxpayer shall be allowed to claim a refund of all state sales and use tax paid by the qualified biotechnology taxpayer, pursuant to parts 1 and 2 of this article 26, on the sale, storage, use, or consumption of tangible personal property to be used in Colorado directly and predominately in research and development of biotechnology during that calendar year.

SECTION 11. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2026 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.