

**Second Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO**

ENGROSSED

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

LLS NO. 14-0714.01 Esther van Mourik x4215

HOUSE BILL 14-1178

HOUSE SPONSORSHIP

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House Committees

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Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING A SALES AND USE TAX EXEMPTION FOR QUALIFIED**
102 **PROPERTY USED IN SPACE FLIGHT, AND, IN CONNECTION**
103 **THEREWITH, MAKING AND REDUCING APPROPRIATIONS.**

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 sales and use tax exemption for qualified property used in space flight and outlines the reporting requirements for the exemption.

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 8, 2014

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

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

4 (a) Colorado's aerospace industry directly employs close to three
5 percent of the state's workforce and contributes billions of dollars to the
6 state's economy;

7 (b) Colorado relies heavily on federal contracts and funding to
8 sustain its healthy aerospace industry. A sales and use tax exemption for
9 qualified property for use in space flight would help the state protect itself
10 against instability in federal funding by encouraging private-sector
11 investment.

12 (c) Studies indicate that the state would benefit significantly from
13 private-oriented and state-implemented incentives designed to stimulate
14 private-sector aerospace industry growth;

15 (d) Arizona, California, Florida, and Virginia have already
16 adopted aerospace-related sales and use tax exemptions, and those states
17 are known as leaders in the aerospace industry; and

18 (e) A sales and use tax exemption for qualified property for use
19 in space flight will increase the availability of highly-skilled and
20 highly-paid jobs in the state and will encourage capital investment in
21 equipment, machinery, parts, and supplies used in aerospace
22 manufacturing.

23 (2) The general assembly therefore finds that:

24 (a) Colorado has the potential to and should become a leader in
25 the aerospace industry; and

26 (b) Enacting a tax incentive to encourage new aerospace industry

1 businesses to locate in the state and to invigorate the state's current
2 aerospace industry's business activities is sound public policy.

3 **SECTION 2.** In Colorado Revised Statutes, **add** 39-26-727 as
4 follows:

5 **39-26-727. Property for use in space flight - definitions -**
6 **repeal.** (1) FOR THE STATE FISCAL YEARS COMMENCING ON OR AFTER
7 JULY 1, 2014, BUT PRIOR TO JULY 1, 2019, ALL SALES, STORAGE, AND USE
8 OF QUALIFIED PROPERTY FOR USE IN SPACE FLIGHT IS EXEMPT FROM
9 TAXATION UNDER PARTS 1 AND 2 OF THIS ARTICLE.

10 (2) AS USED IN THIS SECTION:

11 (a) "QUALIFIED PROPERTY FOR USE IN SPACE FLIGHT" MEANS ANY
12 OF THE FOLLOWING:

13 (I) A SPACE VEHICLE AND ANY COMPONENT THEREOF;

14 (II) TANGIBLE PERSONAL PROPERTY TO BE PLACED OR USED
15 ABOARD A SPACE VEHICLE, REGARDLESS OF WHETHER SUCH PERSONAL
16 PROPERTY IS TO BE ULTIMATELY RETURNED TO THE STATE FOR
17 SUBSEQUENT USE, STORAGE, OR OTHER CONSUMPTION; AND

18 (III) FUEL OF A QUALITY THAT IS NOT ADAPTABLE FOR USE IN AN
19 ORDINARY MOTOR VEHICLE AND THAT IS PRODUCED, SOLD, AND USED
20 EXCLUSIVELY FOR SPACE FLIGHT.

21 (b) "SPACE FLIGHT" MEANS ANY FLIGHT DESIGNED FOR
22 SUBORBITAL, ORBITAL, OR INTERPLANETARY TRAVEL BY A SPACE VEHICLE.

23 (c) "SPACE VEHICLE" MEANS ANY TANGIBLE PERSONAL PROPERTY
24 THAT HAS SPACE FLIGHT CAPABILITY AND IS INTENDED FOR SPACE FLIGHT
25 AND INCLUDES, BUT IS NOT LIMITED TO, AN ORBITAL SPACE FACILITY,
26 SPACE PROPULSION SYSTEM, SATELLITE, OR SPACE STATION OF ANY KIND.

27 (3) THE TAX EXEMPTION ESTABLISHED BY THIS SECTION MAY NOT

1 BE DENIED TO A TAXPAYER BECAUSE OF A FAILURE, POSTPONEMENT,
2 DESTRUCTION, OR CANCELLATION OF A LAUNCH OF A SPACE VEHICLE.

3 (4) THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF REVENUE
4 SHALL ANNUALLY PROVIDE INFORMATION TO THE FINANCE COMMITTEES
5 OF THE HOUSE OF REPRESENTATIVES AND THE SENATE, OR ANY SUCCESSOR
6 COMMITTEES, ON THE NUMBER OF EXEMPTIONS CLAIMED PURSUANT TO
7 THIS SECTION. SUCH INFORMATION MAY BE INCORPORATED INTO AN
8 EXISTING REPORT PROVIDED ON AN ANNUAL BASIS BY THE EXECUTIVE
9 DIRECTOR TO THE COMMITTEES.

10 (5) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2030.

11 **SECTION 3.** In Colorado Revised Statutes, 29-2-105, **amend** (1)
12 (d) (I) (K) and (1) (d) (I) (L); and **add** (1) (d) (I) (M) as follows:

13 **29-2-105. Contents of sales tax ordinances and proposals.**

14 (1) (d) (I) A provision that the sale of tangible personal property and
15 services taxable pursuant to this article shall be the same as the sale of
16 tangible personal property and services taxable pursuant to section
17 39-26-104, C.R.S., except as otherwise provided in this paragraph (d).
18 The sale of tangible personal property and services taxable pursuant to
19 this article shall be subject to the same sales tax exemptions as those
20 specified in part 7 of article 26 of title 39, C.R.S.; except that the sale of
21 the following may be exempted from a town, city, or county sales tax only
22 by the express inclusion of the exemption either at the time of adoption
23 of the initial sales tax ordinance or resolution or by amendment thereto:

24 (K) The exemption for sales that benefit a Colorado school
25 specified in section 39-26-725, C.R.S.; and

26 (L) The exemption for sales by an association or organization of
27 parents and teachers of public school students that is a charitable

1 organization as specified in section 39-26-718 (1) (c), C.R.S.; AND

2 (M) THE EXEMPTION FOR SALES OF PROPERTY FOR USE IN SPACE
3 FLIGHT SPECIFIED IN SECTION 39-26-727, C.R.S.

4 **SECTION 4. Appropriation.** In addition to any other
5 appropriation, there is hereby appropriated, out of any moneys in the
6 general fund, not otherwise appropriated, to the department of revenue,
7 for the fiscal year beginning July 1, 2013, the sum of \$31,000, or so much
8 thereof as may be necessary, for allocation to the taxation business group
9 for CITA annual maintenance and support related to the implementation
10 of this act.

11 **SECTION 5. Appropriation - adjustments to 2014 long bill.**

12 (1) For the implementation of this act, the general fund appropriation
13 made in the annual general appropriation act to the controlled
14 maintenance trust fund created in section 24-75-302.5 (2) (a), Colorado
15 Revised Statutes, for the fiscal year beginning July 1, 2014, is decreased
16 by \$82,077.

17 **SECTION 6. Safety clause.** The general assembly hereby finds,
18 determines, and declares that this act is necessary for the immediate
19 preservation of the public peace, health, and safety.