

NOTE: The governor signed this measure on 5/20/2014.

An Act

HOUSE BILL 14-1178

BY REPRESENTATIVE(S) Ferrandino and DelGrosso, Duran, Holbert, Kraft-Tharp, Lawrence, May, McNulty, Waller, Williams, Young, Exum, Garcia, Gerou, McLachlan, Melton, Mitsch Bush, Pabon, Pettersen, Priola, Rosenthal, Salazar, Schafer, Scott, Singer, Sonnenberg, Gardner, Hullinghorst, Ryden, Vigil;
also SENATOR(S) Hodge and Grantham, Harvey, Scheffel, Steadman, Crowder, Heath, Herpin, Jahn, Kerr, King, Newell, Rivera, Tochtrop, Todd.

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

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

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

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

(b) Colorado relies heavily on federal contracts and funding to

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

sustain its healthy aerospace industry. A sales and use tax exemption for qualified property for use in space flight would help the state protect itself against instability in federal funding by encouraging private-sector investment.

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

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

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

(2) The general assembly therefore finds that:

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

(b) Enacting a tax incentive to encourage new aerospace industry businesses to locate in the state and to invigorate the state's current aerospace industry's business activities is sound public policy.

SECTION 2. In Colorado Revised Statutes, **add** 39-26-728 as follows:

39-26-728. Property for use in space flight - definitions. (1) FOR THE STATE FISCAL YEARS COMMENCING ON OR AFTER JULY 1, 2014, ALL SALES, STORAGE, AND USE OF QUALIFIED PROPERTY FOR USE IN SPACE FLIGHT IS EXEMPT FROM TAXATION UNDER PARTS 1 AND 2 OF THIS ARTICLE.

(2) AS USED IN THIS SECTION:

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

(I) A SPACE VEHICLE AND ANY COMPONENT THEREOF;

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

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

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

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

(3) THE TAX EXEMPTION ESTABLISHED BY THIS SECTION MAY NOT BE DENIED TO A TAXPAYER BECAUSE OF A FAILURE, POSTPONEMENT, DESTRUCTION, OR CANCELLATION OF A LAUNCH OF A SPACE VEHICLE.

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

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

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

(1) (d) (I) A provision that the sale of tangible personal property and services taxable pursuant to this article shall be the same as the sale of tangible personal property and services taxable pursuant to section 39-26-104, C.R.S., except as otherwise provided in this paragraph (d). The sale of tangible personal property and services taxable pursuant to this

article shall be subject to the same sales tax exemptions as those specified in part 7 of article 26 of title 39, C.R.S.; except that the sale of the following may be exempted from a town, city, or county sales tax only by the express inclusion of the exemption either at the time of adoption of the initial sales tax ordinance or resolution or by amendment thereto:

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

(L) The exemption for sales by an association or organization of parents and teachers of public school students that is a charitable organization as specified in section 39-26-718 (1) (c), C.R.S.; AND

(M) THE EXEMPTION FOR SALES OF PROPERTY FOR USE IN SPACE FLIGHT SPECIFIED IN SECTION 39-26-728, C.R.S.

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

SECTION 5. Appropriation - adjustments to 2014 long bill. For the implementation of this act, the general fund appropriation made in the annual general appropriation act to the controlled maintenance trust fund created in section 24-75-302.5 (2) (a), Colorado Revised Statutes, for the fiscal year beginning July 1, 2014, is decreased by \$82,077.

SECTION 6. Safety clause. The general assembly hereby finds,

determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Mark Ferrandino
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Morgan Carroll
PRESIDENT OF
THE SENATE

Marilyn Eddins
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Cindi L. Markwell
SECRETARY OF
THE SENATE

APPROVED _____

John W. Hickenlooper
GOVERNOR OF THE STATE OF COLORADO