



## Sales 83

# Sales Tax Exemption on Components for Production of Energy from Renewable Energy Sources

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### GENERAL INFORMATION

Components used in the production of electricity from a renewable energy source, including but not limited to wind, are exempt from state sales and use tax. [§39-26-724, C.R.S.]

An exemption for such components had been in effect since May 23, 2007, under a provision in §39-26-709(1)(a), C.R.S. that is now obsolete.

Effective July 1, 2009, components used in solar thermal systems are exempt from state sales and use tax.

Effective May 17, 2014, components used in biogas production systems are exempt from state sales and use tax.

### COMPONENTS EXEMPT FROM TAXATION

This exemption applies to the components used in production of alternating current electricity. Such components include, but are not limited to: wind turbine generators, rotors and blades, solar modules, trackers, supporting structures or racks, inverters, towers and foundations, plus balance of system components such as wiring, control systems, switchgears, and generator step-up transformers. Also exempt are concentrating solar power components that include, but are not limited to: mirrors, plumbing, and heat exchangers.

For this exemption, "components" shall not include any components beyond the step-up transformers located at the production site, labor, energy storage devices, or remote monitoring systems.

This exemption is applicable for both commercial and residential installations.

Solar thermal components include, but are not limited to, solar collectors, including flat-plate collectors, evacuated tube collectors, solar air collectors, and concentrating solar thermal collectors; tanks for the storage of gases or liquids that have been heated or cooled by solar-generated energy; pumps, impellers, and fans for the circulation of gases or liquids that have been heated or cooled by solar-generated energy; heat exchangers used to transfer solar-generated energy; support structures, racks, and foundations for these components and any other system components such as piping, valves, gauges, fittings, insulation, and controls for these components.

"Solar Thermal System" means a system whose primary purpose is to use energy from the sun to produce heat or cold for:

- Heating or cooling a residential or commercial building
- Heating or cooling water; or
- Any industrial, commercial, or manufacturing process

Effective May 17, 2014 this exemption also applies to components used in production of biogas for sale to a power generator, as a transportation fuel or as renewable natural gas. Such components include, but are not limited to:

- Anaerobic digestion systems, including but not limited to: truck weighing equipment, truck unloading equipment, manure receiving pits, substrate storage tanks, substrate receiving pits, dosing tanks, anaerobic digester tanks, gas-fired broilers, blowers, pumps, electrical equipment, control systems, piping, and valves
- Biogas upgrade systems, including but not limited to: pressurized gas processing, technology systems, oxygen removal gas systems, booster compressors, ground flares, dryers, pumps, electrical equipment, control systems, gas pipeline, interconnection equipment, piping, valves, and hydrogen sulfide gas clean up systems.
- Digested solids systems, including but not limited to, holding pits, centrifuges, other dewatering equipment, pumps, electrical equipment, controls systems, conveyors, water storage ponds and related equipment, piping and valves.

## **LOCAL AND SPECIAL DISTRICT TAXES**

Cities, counties and special districts may or may not exempt renewable energy production components. State-collected cities, counties and special districts that allowed the machinery exemption in §39-26-709, C.R.S. prior to May 27, 2008, also allow the renewable energy production component exemption per the provisions of §29-2-105(1)(d)(I)(J), C.R.S. Otherwise, cities and counties must adopt the renewable energy production component exemption pursuant to §29-2-105, C.R.S.

Effective May 17, 2014, state-collected cities, counties and special districts may adopt the biogas production system component exemption pursuant to §29-2-105(1)(d)(I)(N), C.R.S.

For detailed information about local sales rates in cities and counties where the state collects the tax, see Revenue Online, [www.Colorado.gov/RevenueOnline](http://www.Colorado.gov/RevenueOnline), click the Business button or refer to the publication Sales/Use Tax Rates (DR 1002). The exemption does apply to sales and use tax for the Regional Transportation District (RTD), Scientific and Cultural District, and Regional Transportation Authorities (RTA).

## **CLAIMING THE EXEMPTION**

If you were charged tax in error, complete a copy of the Claim for Refund for Tax Paid to Vendors (DR 0137B) for each tax type for which the exemption is claimed. You must attach supporting invoices in order for us to process the claim. See FYI Sales 90 Sales and Use Tax Refund Requirements for additional information. Taxpayers who made a prior claim under §39-26-709, C.R.S. before its amendment must make a new claim to request any additional refund of tax paid on components included under this exemption.

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FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.