

# FYI – For Your Information

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

### GENERAL INFORMATION

Effective July 1, 2006, 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 from 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.

### 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.

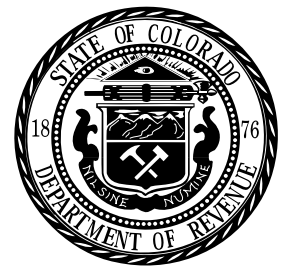
For this exemption, “components” shall not include any components beyond the step-up transformers located at the production site, labor, energy storage devices, or remote monitoring systems.

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.



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Assistance:  
(303) 238-SERV (7378)  
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[www.taxcolorado.com](http://www.taxcolorado.com)

## **LOCAL AND SPECIAL DISTRICT TAXES**

Cities, counties and special districts may or may not exempt renewable energy production components. State-collected cities and counties that allowed the machinery exemption in §39-26-709, C.R.S. prior to May 27, 2008, also allow this exemption per the provisions of §29-2-105(1)(d)(I)(J), C.R.S. Otherwise, cities and counties must adopt this exemption pursuant to §29-2-105, C.R.S. Refer to publication DR 1002 Colorado Sales and Use Tax Rates for a list of localities that grant this exemption. This publication is located on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)

The exemption does apply to sales and use tax for the Regional Transportation District(RTD), Scientific and Cultural District, Football Stadium District, and Regional Transportation Authorities(RTA).

## **CLAIMING THE EXEMPTION**

If you were charged tax in error, complete a copy of Form DR 0137 for each tax type for which the exemption is claimed. You must attach supporting invoices in order for us to process the claim. 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.

## **FURTHER INFORMATION**

FYIs and commonly used forms are available on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)

For additional tax information visit the "Tax Information Index" which covers a variety of topics including links to forms, publications, regulations, statutes and general questions and answers. The "Tax Information Index" is located at [www.taxcolorado.com](http://www.taxcolorado.com)

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 authority to bind the Department, has not formally reviewed and/or approved these FYIs.