

# Sales 83: Components Used to Produce Energy from Renewable Sources or in Biogas Production Systems

Colorado allows an exemption from sales and use taxes for components used in:

- the production of alternating current electricity from a renewable energy source, and
- biogas production systems for the production of biogas for sale to a power generator.

The exemptions discussed in this publication apply to sales and use taxes imposed by the State of Colorado, the Regional Transportation District (RTD), and the Scientific and Cultural Facilities District (CD). However, applicability of the exemption varies for other state-administered local taxes. See Department publication “Colorado Sale/Use Tax Rates” (DR 1002) for information about exemptions allowed for other state-administered local taxes.

## ELECTRICITY PRODUCTION FROM A RENEWABLE ENERGY SOURCE

Components used in the production of alternating current electricity from a renewable energy source, including but not limited to wind, are exempt from sales and use tax. Several types of qualifying components are listed below, although the list is not exclusive and components not explicitly listed may still qualify for exemption.

### *Qualifying Renewable Energy Production Components*

<ul style="list-style-type: none"> <li>• wind turbines</li> <li>• rotors and blades</li> <li>• solar modules</li> <li>• trackers</li> <li>• generating equipment</li> <li>• supporting structures or racks</li> <li>• inverters</li> <li>• towers and foundations</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Other system components such as:</i> <ul style="list-style-type: none"> <li>- wiring</li> <li>- control systems</li> <li>- switchgears</li> <li>- generator step-up transformers</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <i>Concentrating solar power components such as:</i> <ul style="list-style-type: none"> <li>- mirrors</li> <li>- plumbing</li> <li>- heat exchangers</li> </ul> </li> </ul>
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The exemption **does not** apply to any components beyond the step-up transformers located at the production site, labor, energy storage devices, or remote monitoring systems.

## BIOGAS PRODUCTION SYSTEMS

Components used in biogas production systems to produce biogas for sale to a power generator, as a transportation fuel, or as renewable natural gas are exempt from sales and use tax. The exemption will expire on July 1, 2019. Several types of qualifying components are listed below, although the list is not exclusive and components not explicitly listed may still qualify for exemption.

### *Qualifying Biogas Production System Components*

<i>Anaerobic digestion systems</i>	<i>Biogas upgrade systems</i>	<i>Digested solids systems</i>
<ul style="list-style-type: none"> <li>- truck weighing equipment</li> <li>- truck unloading equipment</li> <li>- manure receiving pits</li> <li>- substrate storage tanks</li> <li>- substrate receiving pits</li> <li>- dosing tanks</li> <li>- anaerobic digester tanks</li> <li>- natural gas-fired boilers</li> <li>- blowers, pumps</li> <li>- electrical equipment</li> <li>- control systems</li> <li>- piping</li> <li>- valves</li> <li>- related tangible personal property</li> </ul>	<ul style="list-style-type: none"> <li>- pressurized gas processing technology systems</li> <li>- oxygen removal gas systems</li> <li>- booster compressors</li> <li>- ground flares</li> <li>- dryers</li> <li>- pumps</li> <li>- electrical equipment</li> <li>- control systems</li> <li>- gas pipeline interconnection equipment</li> <li>- piping</li> <li>- valves</li> <li>- hydrogen sulfide gas clean up systems</li> <li>- related tangible personal property</li> </ul>	<ul style="list-style-type: none"> <li>- holding pits</li> <li>- centrifuges</li> <li>- other dewatering equipment</li> <li>- pumps</li> <li>- electrical equipment</li> <li>- control systems</li> <li>- conveyors</li> <li>- water storage ponds and related equipment</li> <li>- piping</li> <li>- valves</li> <li>- related tangible personal property</li> </ul>

## CLAIMING THE EXEMPTION

If tax was paid on a purchase that qualifies for exemption, the purchaser may request a refund for the tax paid. See FYI Sales 90 for information regarding sales and use tax refund claims.

## ADDITIONAL RESOURCES

- *Colorado statutes and regulations*
  - § 39-26-724, C.R.S. Components used to produce energy from a renewable energy source
  - § 29-2-105(1)(d)(I)(J), C.R.S. Local option for exemption
- *Colorado forms, publications, and guidance (available online at [Colorado.gov/tax](https://colorado.gov/tax))*
  - PLR 11-009 - Photovoltaic energy systems

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FYIs represent a good faith effort to provide general information concerning a variety of Colorado tax topics in simple and straightforward language. By their nature, however, FYIs cannot and do not address all taxpayer situations nor do they provide a comprehensive overview of Colorado's tax laws. For this reason, FYIs are not binding on the Colorado Department of Revenue, nor do they replace, alter, or supersede Colorado law and regulations.

A taxpayer seeking additional guidance regarding the tax consequences of a particular transaction or factual scenario can request a Private Letter Ruling (PLR) or General Information Letter (GIL). Requests for PLRs and GILs must comply with certain requirements, which are currently set forth at 1 Code of Colorado Regulations 201-1, Regulation 24-35-103.5. PLRs are binding upon the Department only with respect to the specific taxpayer that requested the PLR. GILs are for informational purposes only and are not binding on the Department.