



COLORADO



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Energy Office

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Shelby Wieman (Governor's Office) | shelby.wieman@state.co.us | (303) 957-6011

Ari Rosenblum (Colorado Energy Office) | ari.rosenblum@state.co.us | (720) 910-1190

Governor Polis and the Colorado Energy Office Celebrate New Tax Incentives to Lower Cost of High Efficiency Heating and Cooling

Heat pumps both heat and cool with higher efficiency, lower electricity costs, and reduce air pollution

Denver - Today, Governor Polis and the Colorado Energy Office announced that new [Colorado Heat Pump Tax Credits](#) are available to assist Coloradans who are installing eligible heat pump technology for space heating and cooling and water heating. Heat pumps reduce greenhouse gas emissions, improve indoor air quality, lessen demand on the electric grid during the hottest summer days, and save Coloradans money. The Colorado legislature established this tax credit along with several other clean energy tax credits when Governor Polis signed [HB23-1272 "Tax Policy that Advances Decarbonization"](#) sponsored by Representatives Mike Weissman and Junie Joseph and Senators Steve Fenberg and Lisa Cutter.

“These tax credits will help Colorado become more sustainable while saving Coloradans money. Too often Coloradans are victims to natural gas price spikes and by transitioning to efficient electric, low-cost heat pumps, Coloradans can be protected from the high, and volatile, costs of natural gas,” said Governor Polis.

Natural gas use in buildings is among the top five sources of greenhouse gas emissions in Colorado. Increasing the adoption of highly efficient heat pumps for space heating/cooling and water heating is a key strategy to reduce emissions from the buildings sector and move the state closer to meeting its target of net-zero emissions by 2050.

“Electric heat pumps are an important part of the future of heating in a clean energy Colorado,” said Colorado Energy Office Executive Director Will Toor. **“The state’s heat pump tax credit is designed to reduce the upfront costs of installing a heat pump, encourage expansion of the heat pump workforce, and accelerate adoption of this innovative, efficient, cost-saving technology.”**

Residents, businesses, and other organizations, including tax-exempt institutions, can receive a portion of the tax credit as an upfront discount on the cost of installing a heat pump through a [registered contractor](#). The list of registered contractors is expected to continue growing over time. Colorado customers who receive the State of Colorado

Heat Pump discount may combine this discount with other incentives, including [local government and utility rebates](#) and [federal tax credits](#).

The state recognizes that widespread adoption of electric heat pumps is only possible with support from a qualified HVAC workforce. Currently, [demand for heat pumps in Colorado outpaces the workforce's capacity](#) to install them. Contractors must provide at least one-third of the tax credit amount as a discount to a Colorado customer at the time of installation. But to encourage more contractors to join the heat pump installation market and [register with the state as an eligible heat pump installer](#), contractors may retain **up to two-thirds (66.67%)** of the tax credit for heat pumps installed during the 2024 tax year. In tax year 2024, the following discounts are available for various heat pump technologies. Based on the legislation, the tax credit amounts may change for heat pumps installed after 2025.

- **Air-source heat pump**
 - Total tax credit amount: \$1,500
 - Minimum customer discount: \$499.95
- **Ground-source, water-source, or combined-source heat pump**
 - Tax credit amount: \$3,000
 - Minimum customer discount: \$999.90
- **Heat pump water heater**
 - Tax credit amount: \$500
 - Minimum customer discount: \$166.65

Tax credits are available to registered contractors for installing heat pumps in single-family homes and multifamily and nonresidential buildings. For multifamily buildings, a registered contractor may claim one tax credit for each residential unit served by a heat pump system. For nonresidential buildings, a registered contractor may claim one tax credit for every four tons of installed heating capacity, up to 100 tons. Contractors installing thermal energy networks (ground source heat pumps at multiple sites connected by underground pipes) may combine the credits for each connected residential and nonresidential unit.

The heat pump tax credit is fully refundable, allowing all registered contractors, even those with little or no state income tax liability, to benefit from it. Registered contractors will claim their credits for the installed equipment by filing their income tax return with the Department of Revenue. The Department of Revenue anticipates having instructions ready to claim the tax credit in late 2024.

More information is available on the [Colorado Heat Pump Tax Credit webpage](#).

Residential and commercial building owners who purchased and installed qualifying
