Office of the State Auditor

Kerri L. Hunter, CPA, CFE
State Auditor

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Electric Lawn Equipment Credit Tax Expenditure Evaluation Update

The Electric Lawn Equipment Credit [Section 39-22-550, C.R.S.] allows retailers to claim a 33 percent refundable income tax credit on eligible sales of new, electric-powered lawn equipment—including lawn mowers, leaf blowers, trimmers, and snowblowers—on which the retailer has chosen to give a 30 percent discount to consumers. In December 2025, our office released its evaluation of the credit and, at that time, the Department of Revenue (Department) was not able to provide data on the use of the credit by retailers. After we published our evaluation, the Department provided our office data on retailers that reported sales eligible for the credit for Calendar Year 2024, which was the first year this credit was available. The purpose of this memo is to provide an update on the potential revenue impact and usage of the Electric Lawn Equipment Credit based on the information provided by the Department after the release of our evaluation.

Statute [Section 39-22-550(5), C.R.S.] requires the Department to "submit to the general assembly and the state auditor a report detailing the sales of new, electric-powered lawn equipment, as reported by a qualified retailer claiming the tax credit" by January 1 of each year through January 1, 2028. The Department reported that claims of the credit for Tax Year 2024 will not be available until January 2027. Instead, for its January 2026 report, the Department provided information on the number of businesses that reported sales eligible for the credit in Calendar Year 2024. Specifically, 58 retailers reported selling about 224,800 pieces of eligible lawn equipment for a total of about $61,503,000 in eligible sales during the year. The Department multiplied the eligible sales by 33 percent to estimate that businesses will claim approximately $20,296,000 in credits for Tax Year 2024. For context, the fiscal note for enacting legislation (Senate Bill 23-016) estimated that the credit would be claimed on 205,400 units in 2024 and 208,900 units in 2025. When the bill was enacted, the fiscal note estimated the credit would decrease General Fund revenue for credits claimed each year by an approximate $12.3 million annually. The fiscal note estimate was prepared prior to the State's Regulation 29 ban, which Colorado's Air Quality Control Commission put in place in June 2025 to prohibit the use of gas-powered push and hand-held lawn equipment by state government agencies and landscaping contractors that service state land during the months of June, July, and August of each year. The ban also applies to local and federal agencies operating in certain areas along the Front Range. Regulation 29 could contribute to an uptick in eligible sales reported for more expensive commercial lawn equipment starting in 2025. When the Department provides data on Tax Year 2024 credits claimed and Calendar Year 2025 reported sales in January 2027, we will issue an addendum to provide the General Assembly with that information.

The Department reported that for Calendar Year 2024, the top five retailers in the state (by sales amounts) reported about $52,572,000 (85 percent) of the $61,503,000 in sales. One of the reasons that a few larger retailers might make up such a large portion of the sales is that the timeline to claim the credit can place a significant financial burden on some smaller retailers, which we discussed on pages 5, 6, 7, and 9 of our report. Specifically, some retailers—those that file as individuals, partnerships, S corporations, trusts, and estates—might have to wait up to 21 months to claim the credit from the time of the sale of the electric lawn equipment that they provided the discount on. Retailers filing as C corporations might have to wait up to 22 months. However, as discussed in the evaluation, larger or more profitable retailers are more likely to benefit from adjustments to their quarterly estimated income tax payments. For example, C corporations with a net income tax liability of more than $5,000 are required to make quarterly payments and can reduce their quarterly payments to account for the credit. In contrast, retailers expecting to be in a refund position are not required to make quarterly estimated income tax payments, and thus, do not benefit from the credit until their refund is processed after claiming the credit on their income tax return. Therefore, larger or more profitable retailers can recoup the discount they provided to consumers more quickly. Smaller retailers might be less inclined or unable to provide the discount required by the credit to consumers, or opt to limit the number of items of equipment they offer the discount on. As consumers become more aware of the 30 percent discount associated with the credit, they may shift purchasing behavior in favor of larger or more profitable retailers that are able to offer the discount on a wider selection of equipment for consumers to choose from.