SENATE COMMITTEE ON ENVIRONMENTAL QUALITY
Senator Blakespear, Chair
2025 - 2026 Regular

Bill No:	SB 1424		
Author:	Archuleta		
Version:	3/24/2026	**Hearing Date:**	4/22/2026
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alyssa Poletti		

SUBJECT: Sales and use taxes: electric vehicle fueling

DIGEST: This bill expands the sales and use tax manufacturing exemption partially funded from the Greenhouse Gas Reduction Fund to tangible personal property purchased to process, store, or prepare hydrogen or electricity for retail sale as motor vehicle fuel or component parts to construct an electric vehicle charging or hydrogen fueling station.

ANALYSIS:

Existing law:

1) Defines a tax expenditure as a credit, deduction, exclusion, or any other tax benefit provided by the state. (Revenue and Tax Code (RTC) § 41(b))

2) Requires the following of new tax expenditures:
   a) Specific goals, purposes, and objectives;
   b) Detailed performance indicators for the Legislature to use to determine whether a tax expenditure meets its goals, purposes, and objectives; and
   c) Data collection requirements to measure the performance indicators. (RTC § 41(a))

3) Establishes a sales and use tax on the retail sale of tangible personal property of 7.25%. (RTC § 6051 et seq.)

4) Defines tangible personal property as personal property which can be seen, weighed, measured, felt, or touched. (RTC § 6016)

5) Exempts several goods from the sales and use tax including but not limited to:
   a) Gas, electricity, and water;
   b) Farm equipment and machinery;
   c) Gasoline and diesel used in agriculture;
   d) Racehorse breeding stock; and

e) Specified food products for human consumption. (RTC § 6353, 6356.5, 6357.1, 6358.5, and 6359)

6) Partially exempts, pursuant to AB 93 (Budget Committee, Chapter 69, Statutes of 2013), tangible personal property to be used in manufacturing, processing, refining, or recycling of tangible personal property from the sales and use tax. (RTC § 6377.1)

7) Defines "processing" as the physical application of the materials and labor necessary to modify or change the characteristics of tangible personal property. (RTC § 6377.1(a)(7))

8) Requires money collected by the California Air Resources Board (CARB) through Cap-and-Invest auctions to be deposited into the Greenhouse Gas Reduction Fund (GGRF) through SB 1018 (Budget Committee, Chapter 39, Statutes of 2012).

9) Funds, pursuant to AB 398 (Garcia, Chapter 135, Statutes of 2017), a specified portion of the manufacturing sales and use tax exemption using funds from GGRF. (AB 398,)

10) Reauthorizes Cap-and-Invest and designates a tier system for expenditures from GGRF. (AB 1207, Irwin, Chapter 117, Statutes of 2025, and SB 840, Limon, Chapter 121, Statutes of 2025)

This bill:

1) Expands the tangible personal property eligible for the manufacturing tax exemption to:
   a) Property purchased for use exclusively in the processing, altering, or other preparation required for the converting or conditioning of hydrogen or electricity for the fueling of a zero-emission vehicle ultimately sold at retail;
   b) Special purpose buildings and foundations used in the processing, conditioning, storage, or preparation of hydrogen for sale at retail for use in a motor vehicle;
   c) Hydrogen fueling and charging station equipment and component parts including but not limited to:
      i) On-site storage tanks;
      ii) Cryogenic pumps;
      iii) Vaporizers;
      iv) Compressors; and

v) Other necessary components.

2) Adds gasoline stations as retail locations eligible for the manufacturing sales tax exemption.

3) Establishes the following goals:
   a) To encourage investments in fueling infrastructure to support zero-emission vehicles;
   b) To support hydrogen fueling and charging station targets;
   c) To reduce the sales tax burden on the purchase of component parts necessary for processing hydrogen and electricity into their completed form for use by a zero-emission vehicle.

4) Establishes the following performance indicators:
   a) The number of hydrogen fuel and charging stations built in the state;
   b) The number of commercially available zero-emission vehicles and the number solid in the state per year; and
   c) The total amount of sales and use tax exempted through this bill.

5) Requires the California Air Resources Board (CARB) to review the effectiveness of the tax exemption in the annual Hydrogen Assessment.

6) Requires the California Energy Commission (CEC) to review the effectiveness of the tax exemption in its annual Electric Vehicle Charging Assessment.

7) Goes into effect immediately as a tax levy.

Background

1) *Tiers in the Greenhouse Gas Reduction Fund (GGRF).* The GGRF was created in the 2012 budget (SB 1018) to use funds collected from Cap-and-Invest auctions to further the goals in the Global Warming Solutions Act of 2006 (AB 32). GGRF funds essential programs such as the Affordable Housing and Sustainable Communities Program, the Community Air Protection Program, wildfire and forest resilience, and the Safe and Affordable Drinking Water Program.[1]

   In the 2025 Cap-and-Invest reauthorization, the way in which GGRF funding was allocated changed from having several continuous allocations to a three-tier system (SB 840). Tier 1 allocations receive funding first, followed by Tier

[1] LAO (2025) Overview of New Updates to The Cap-and-Invest Program, https://lao.ca.gov/Publications/Report/5097

2, and finally Tier 3. GGRF revenue is difficult to predict, creating the concern that Tier 3 programs with previously guaranteed funding will be underfunded in the coming years.[2] Tier 3 programs include the programs listed above. Tier 1 expenditures include the Legislative Counsel Climate Bureau, certain state operations obligations, backfilling the cost of CalFire's management of the State Responsibility Area, and the manufacturing tax exemption. Thus, when GGRF revenues are insufficient to fund all three tiers, any dollar spent on a Tier 1 allocation is a dollar less than goes towards affordable housing, wildfire and forest resilience, and clean air and water.

2) *Manufacturing exemption costs*. When Cap-and-Trade was reauthorized the first time in 2017, the bill that did so (AB 398) also made two changes to the manufacturers sales and use tax exemption. The first was expanding the eligibility of the tax exemption to include tangible personal property and buildings purchased for the generation, production, storage, and distribution of electric power. The second was backfilling an amount equal to the newly-included activities from GGRF.

   Presently, the manufacturing exemption covers manufacturers, electric utilities, and agriculture. RTC 6377.1(g)(3)(A) mandates that GGRF backfills the general fund for electric utilities and agriculture. RTC 6377.1(g)(3)(D) allows for discretionary backfill from GGRF to the general fund for manufacturers.

   AB 398 requires a report from the California Tax and Fee Administration (CTFA) on the lost revenues from the partial sales and use tax exemption for manufacturing and research and development equipment. CTFA found that in 2024, these tax exemptions cost the state $465 million in lost revenue. 67% of the lost revenue came from the manufacturing tax exemption, costing more than $312 million.[3] 33% of the lost revenue came from electric utilities and agriculture, totaling approximately $153 million. The total backfilled from GGRF was estimated to be $100 to 159 million by the LAO.[1,2] Therefore, the GGRF backfill typically covers the electric utilities and agricultural exemption and may cover a small portion for manufactures. However, it is unknown how much discretionary funding is backfilled from GGRF for manufacturers.

   SB 1424 adds the preparation of hydrogen and electricity to their retail form sold by gasoline stations to Subdivision (a). SB 1424 also adds buildings and foundations for manufacturing, preparing, and storing hydrogen fuel as well as the component parts to construct a hydrogen refueling station to Section 6377.1(b)(9)(iv) and (v). These expenditures may be funded through Tier 1

[2] LAO (2026) Cap-and-Invest Expenditure Plan, https://lao.ca.gov/Publications/Report/5114
[3] CDTFA (2025) AB 398 Annual Report

GGRF, but the extent to which these expenditures are funded through GGRF is discretionary and unknown.

3) *California's zero-emission vehicle goals*. Governor Newsom's Executive Order N-79-20 requires all passenger vehicles sold in the state to be zero emissions by 2035.[4] The California Air Resources Board (CARB) set targets of zero emission vehicle (ZEV) sales approaching 2035, starting with 35% of sales in 2026 to 100% of sales in 2035.[5] Since 2010 and as of 2026, California has sold 2.5 million electric vehicles, exceeding previous goals set by Governor Brown.[6] However, rapid growth of ZEVs necessitates robust, accessible, and convenient charging (and, for hydrogen, refueling) infrastructure.

4) *Challenges to ZEV infrastructure*. ZEV charging and fueling poses numerous infrastructure challenges: new strain on the electric grid, accessibility of charging, and local permitting.[7,8] Barriers to home charging include not owning the residence, not owning a parking space, and high installation costs.[9] High installation costs include not only the actual charger but updating the electric wiring of older homes which do not have the electrical capacity to charge a vehicle. The cost of EV chargers depends on its voltage; a level 1 EV charger plugs into the typical outlet. A level 2 EV charger is 240 volts, charges an EV more quickly, and requires specialized equipment ranging from $500 to $1,000 (not including home upgrades).[10] Level 3 chargers are the fastest EV chargers and are typically installed for public use, rather than residential.

   For public charging infrastructure, the Stanford Institute for Economic Policy Research (SIEPR) cites permitting and zoning as key barriers to the development of EV charging stations.[8] Executive Order B-48-40 required the installation of 200 hydrogen fueling stations and 250,000 zero-emissions

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[4] Governor's Office (2020) *Governor Newsom Announces California Will Phase Out Gasoline-Powered Cars & Drastically Reduce Demand for Fossil Fuel in California's Fight Against Climate Change*, https://www.gov.ca.gov/2020/09/23/governor-newsom-announces-california-will-phase-out-gasoline-powered-cars-drastically-reduce-demand-for-fossil-fuel-in-californias-fight-against-climate-change/

[5] CARB (2022) *California moves to accelerate to 100% new zero-emission vehicle sales by 2035*, https://ww2.arb.ca.gov/news/california-moves-accelerate-100-new-zero-emission-vehicle-sales-2035

[6] Cohen-Petrow, C. (2026) *California exceeds clean car goal despite declining federal support*, Los Angelos Times. https://www.latimes.com/business/story/2026-01-20/california-exceeds-clean-car-goal-despite-declining-federal-support

[7] US Dept. of Transportation (2025) *Implementation Challenges and Evolving Solutions for Rural Communities*, https://www.transportation.gov/rural/ev/toolkit/ev-benefits-and-challenges/challenges-and-evolving-solutions

[8] Conrad, E, et al. (2024) *Overcoming roadblocks to California's public EV charging infrastructure, Stanford Institute for Economic Policy Research*. https://siepr.stanford.edu/publications/policy-brief/overcoming-roadblocks-californias-public-ev-charging-infrastructure

[9] Pezeshknejad, P., et al. (2026) *Barriers to electric vehicle home charging and impacts on adoption,* Transportation Research. https://www.sciencedirect.com/science/article/pii/S1361920926000556

[10] Costco Auto Program (2025) *The Cost of Charging an EV at Home*, https://www.costcoauto.com/automotive_articles/ev/the-cost-of-charging-an-ev-at-home.aspx

vehicle chargers by 2025. As of 2025, California has over 200,000 EV chargers in addition to 800,000 chargers in single family homes.[11] Additionally, as of 2025, California has 61 hydrogen fueling stations, 50 of which are retail locations.[12]

5) *Hydrogen fuel cell vehicles*. Hydrogen fuel cell vehicles (HFCVs) are a form of electric vehicle which uses hydrogen fuel. HFCVs use the same electric motor as a traditional electric vehicle (EV) but rather than charging the car directly with electricity, the car makes its electricity from hydrogen fuel. This is also in contrast to a hydrogen combustion vehicle, which uses the same mechanism as a traditional combustion engine but with hydrogen fuel rather than gasoline.

   There are many benefits to HFCVs. HFCVs are zero-emission vehicles, releasing only water vapor as a byproduct. HFCVs are safer than hydrogen combustion vehicles and charge (or rather, refuel) faster than traditional EVs. However, the HFCV market is small, representing only 1.1% of ZEV car sales in 2023.[13] In that year, there were only 12,000 hydrogen cars on the road and only two models available. Consumer options have not significantly increased; there are currently three models available. Despite low adoption, the California Energy Commission (CEC) has spent over $200 million on hydrogen fuel infrastructure.[12]

6) *The creation of hydrogen fuel.* There are two categories of methods to create hydrogen fuel: thermal processes and electrolytic processes. Thermal processes use high heat and steam to separate hydrogen molecules from hydrocarbons. These hydrocarbons can come from natural gas, diesel, renewable liquid fuels (such as ethanol), or biomass, among other sources. The process creates hydrogen and carbon dioxide (CO_2), a less potent but longer lasting greenhouse gas compared to methane (CH_4) in natural gas. Electrolytic processes separate water into oxygen and hydrogen, a cleaner but less common and more costly method.

   Electric vehicles, either traditional or hydrogen fuel cell, are more efficient than combustion vehicles. Traditional EVs benefit from the efficiency gain *and* California's electricity mix. Half of the electricity in California is derived from

[11] CEC (2025) *California Exceeds 200,000 Electric Vehicle Chargers*, https://www.energy.ca.gov/news/2025-09/california-exceeds-200000-electric-vehicle-chargers
[12] Hydrogen Fuel Cell Partnership (2025*) California's 2025 Hydrogen Infrastructure Report: Key Findings for the Hydrogen Community*, https://h2fcp.org/blog/californias-2025-hydrogen-infrastructure-report-key-findings-hydrogen-community
[13] Lazo, A. (2023) *Hardly anyone owns a hydrogen car. California may pay up to $300 million for fuel stations anyway*, Calmatters. https://calmatters.org/environment/2023/08/california-hydrogen-cars-funding/

non-fossil sources (renewables and nuclear).[14] In contrast, 95% of hydrogen fuel is produced using thermal processes with natural gas, a fossil fuel.[15]

Comments

1) *Purpose of Bill.* According to the author, "Senate Bill 1424 builds on California's commitment to clean energy by extending the state's existing partial sales and use tax exemption to zero-emission vehicle fueling infrastructure. With transportation responsible for roughly half of California's greenhouse gas emissions, accelerating the deployment of charging and hydrogen fueling stations is essential to meeting our climate and air quality goals. SB 1424 leverages an already successful, CDTFA-administered program to lower upfront costs for critical infrastructure, ensuring that private investment can scale more quickly and efficiently.

   "At a time when federal commitment to clean transportation programs has diminished, California must act decisively to maintain momentum and protect its climate leadership. This bill provides a practical, near-term solution to help offset those losses and keep infrastructure deployment on track. By supporting both electric and hydrogen fueling technologies, SB 1424 takes a forward-looking, technology-neutral approach that maximizes innovation and market flexibility. Ultimately, SB 1424 strengthens California's clean transportation future while reinforcing our commitment to economic competitiveness and environmental stewardship."

2) *Money isn't the problem*. By partially exempting ZEV charging and fueling purchases from the state sales tax, SB 1424 aims to incentivize the development of charging and fueling stations by private entities. However, SB 1424 does not address the largest barriers to the development of ZEV infrastructure. For traditional EVs, experts cite permitting and zoning as a larger barrier to charging infrastructure.

   For hydrogen fueling, CEC has already given over $250 million without a significant increase in hydrogen fueling stations.[16] The 2023 Annual Assessment of the Hydrogen Refueling Network in California from the CEC and CARB reported 66 hydrogen fueling stations achieved open retain status, increasing by 4 since the previous report. In 2025, CARB reported only 61 total stations with 50 of those available for retail. If so, the number of stations

[14] US Energy Information Administration (2023) *California: End-use energy consumption 2023*, estimates. https://www.eia.gov/states/CA/overview
[15] US DOE, *Hydrogen Fuel Basics*, https://www.energy.gov/cmei/fuels/hydrogen-fuel-basics
[16] CEC & CARB (2023) Joint Agency Staff Report on Assembly Bill 8: 2023 Annual Assessment of the Hydrogen Refueling Network in California, CEC-600-2023-069

has decreased despite state funding.[12] The CEC report highlights that cost is one barrier: 50 stations lost a 2021 grant and were not built. However, the state missed that year's hydrogen fueling station goal by more than 100 stations.

Other barriers that the CEC highlights include the cost of hydrogen and station reliability. In 2023, 12 of the 66 locations were offline for more than 30 days. The open stations operated only at 60% capacity due to equipment failures and supply chain constraints. For hydrogen fueling stations, funding is only half the battle.

3) *An attempt at technology neutrality*. As amended, SB 1424 includes traditional electric vehicles and charging stations in their goals and performance indicators. Yet, the bill does little to help the traditional electric vehicle market.

   a) First, traditional EVs are already a successful and growing market in California. Barriers in the current traditional EV market include a lack of federal or state tax credits on the high purchase cost and permitting at the local level for charging stations.

   b) Second, the sales tax exemption as described in the bill applies significantly more to the hydrogen fuel cell industry than the traditional EV industry. Section 6377.1(a)(6) refers to products purchased for "processing, altering or other preparation required for converting or conditioning hydrogen or electricity into its completed form." It is not clear if such a product exists or is needed for electricity. This section, in fact, refers to several steps intrinsic to hydrogen fuel production. Therefore, this portion of the exception only benefits hydrogen fuel.

      The exemptions listed in Sections 6377.1(b)(9)(A)(iv)(III) only refer to hydrogen and hydrogen refueling stations. The exemptions listed in 6377.1(b)(9)(v) apply to components needed for either hydrogen refueling or charging stations, but the components listed are only relevant to hydrogen refueling stations, such as: on-site storage tanks, cryogenic pumps, vaporizers, piping, etc. Components necessary for a charging station such as transformers or other electronic components are absent from this, admittedly, non-exhaustive list.

   c) Thirdly, electricity generation is already in the manufacturing sales and use tax exemption (RTC § 6733.1(b)(9)(A)(iv)(II)).

   The committee may wish to add components necessary for the development of traditional EV charging stations to subparagraph 6377.1(b)(9)(A).

4) *Problem performance indicators.* The goals and performance indicators in SB 1424 include traditional EVs and EV charging stations while doing little to help an already thriving market. It is unlikely that SB 1424 will have a major impact on the traditional EV ecosystem. Given there are already a number of state programs aimed at the *actual* barriers to EV adoption, including traditional EVs in the SB 1424 performance indicators could make the tax exemption appear more successful than it truly is. The SB 1424 tax exemption could double-count charging stations and traditional EV purchases that were already incentivized by other programs, such as Clean Cars 4 All or the California Electric Vehicle Infrastructure Project.[17,18] *The author may wish to remove the number of ZEVs commercially available and sold from the performance indicators.*

5) *Sidestepping California's Climate Goals.* The transition to ZEVs is an essential step in GHG emissions reductions. Transportation accounts for 50% of the state's GHG emissions.[19] While hydrogen fuel can help California reduce transportation emissions, it does so by moving the emissions elsewhere rather than meaningfully reducing emissions. 95% of hydrogen fuel is derived from fossil fuels.

   Additionally, SB 1424 doesn't just exempt the construction of hydrogen fueling stations from the sales tax but purchases of products needed to process the fuel itself. SB 1424 exempts purchases for the purpose of processing, altering, preparation, converting, conditioning, and storing of hydrogen fuel. Processing is defined as the physical application of materials and labor to modify the characteristics of tangible personal property (in this case, hydrogen fuel). Additionally, the statue specifies that "raw materials shall be considered to have been introduced into the process when the raw materials are stored on the same premises where the qualified person's manufacturing, processing, refining, fabricating, or recycling activity is conducted."

   SB 1424 adds gasoline stations to the list of qualified persons. Therefore, processing would refer to material and labor to modify hydrogen fuel once it is in the possession of a gasoline station (or other qualified person in RTC 6733.1(a)(8)(A)(i to iii)). Processing of hydrogen fuel elsewhere is not exempt. However, purchases to process hydrogen *on-site* would be. The US DOE states

[17] California New Car Dealers Association, *EV Rebate Resource*s, https://www.cncda.org/ev-rebate-resources/
[18] CEC, *Electric Vehicles & Charging Infrastructure*, https://www.energy.ca.gov/programs-and-topics/programs/clean-transportation-program/clean-transportation-funding-areas-0
[19] CEC, *Transforming Transportation*, https://www.energy.ca.gov/about/core-responsibility-fact-sheets/transforming-transportation

that most hydrogen fuel is produced at or new the facility where is it used. Therefore, SB 1424 may exempt the on-site production of hydrogen fuel.

Regardless of how the hydrogen fuel arrives at the station (whether made on site or delivered via pipeline or road), the station must compress and purify the hydrogen fuel.[20] Purchases of machinery to compress and purify hydrogen fuel at the fueling station would be exempt on SB 1424. In summary, purchases to compress, purify, and storage of hydrogen fuel are exempted under SB 1424 and the processing (which could be production of) hydrogen fuel may be exempted when it occurs on-site.

SB 1424 exempts the construction of the stations selling hydrogen fuel and potentially the on-site production of the fuel. Ultimately, the hydrogen used in fuel cells still contributes to global GHG emissions; the emissions are just somewhere else. It would be irresponsible at best to fund hydrogen infrastructure from GGRF, especially without proper guardrails.

The committee may wish to consider:

a) ***Limiting this tax exemption to charging and hydrogen fueling station components; and***
b) ***Precluding this tax exemption from using revenue from GGRF.***

Additionally*, the author may wish to consider disallowing eligible hydrogen fueling stations from using hydrogen derived from fossil fuels.*

6) *Committee amendments.* ***Staff recommends the committee adopt the bolded amendments contained in comments 3, 5(a), and 5(b).***

Related/Prior Legislation

AB 32 (2006) authorizes CARB to use market-based compliance methods, such as Cap-and-Invest to achieve the state's climate goals.

AB 118 (2007) Provides at least $15 million annually for hydrogen fueling stations through 2030 and requires an annual evaluation on the deployment of passenger fuel cell electric vehicles and needs for hydrogen station network expansion.

DOUBLE REFERRAL:

[20] US DOE, Hydrogen Delivery, https://www.energy.gov/cmei/fuels/hydrogen-delivery

If this measure is approved by the Senate Environmental Quality Committee, the do pass as amended motion must include the action to re-refer the bill to the Senate Revenue and Tax Committee.

SOURCE: California Hydrogen Coalition

SUPPORT:

California Electric Transportation Coalition
California Hydrogen Coalition

OPPOSITION:

None received

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