THIRD READING

Bill No: SB 1424
Author: Archuleta (D)
Amended: 4/23/26
Vote: 21- Urgency

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 6-0, 4/22/26
AYES: Blakespear, Valladares, Allen, Dahle, Gonzalez, Hurtado
NO VOTE RECORDED: Menjivar

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 5/6/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Sales and use taxes: zero-emission vehicle fueling

SOURCE: California Hydrogen Coalition

DIGEST: This bill expands the sales and uses a tax manufacturing exemption 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))

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.

2) Does not expand the tangible personal property eligible for the manufacturing tax exemption to property purchased for the production of hydrogen fuel from raw materials.

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

4) Precludes this partial tax exemption from being backfilled from the Greenhouse Gas Reduction Fund (GGRF).

5) 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.

6) 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.

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

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

9) Goes into effect immediately as a tax levy.

Background

1) *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.[1] The California Air Resources Board (CARB) set targets of zero

[1] 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/

emission vehicle (ZEV) sales approaching 2035, starting with 35% of sales in 2026 to 100% of sales in 2035.[2] Since 2010 and as of 2026, California has sold 2.5 million electric vehicles, exceeding previous goals set by Governor Brown.[3] However, rapid growth of ZEVs necessitates robust, accessible, and convenient charging (and, for hydrogen, refueling) infrastructure.

2) *Challenges to ZEV infrastructure*. ZEV charging and fueling poses numerous infrastructure challenges: new strain on the electric grid, accessibility of charging, and local permitting.[4,5] Barriers to home charging include not owning the residence, not owning a parking space, and high installation costs.[6] 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).[7] 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 vehicle chargers by 2025. As of 2025, California has over 200,000 EV chargers in addition to 800,000 chargers in single family homes.[8] Additionally, as of 2025, California has 61 hydrogen fueling stations, 50 of which are retail locations.[9]

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[2] 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
[3] 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
[4] 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
[5] 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
[6] 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
[7] 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
[8] CEC (2025) *California Exceeds 200,000 Electric Vehicle Chargers*, https://www.energy.ca.gov/news/2025-09/california-exceeds-200000-electric-vehicle-chargers
[9] 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

3) *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.[10] 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]

4) *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 non-fossil sources (renewables and nuclear).[11] In contrast, 95% of hydrogen fuel is produced using thermal processes with natural gas, a fossil fuel.[12]

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

[10] 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/
[11] US Energy Information Administration (2023) *California: End-use energy consumption 2023*, estimates. https://www.eia.gov/states/CA/overview
[12] US DOE, *Hydrogen Fuel Basics*, https://www.energy.gov/cmei/fuels/hydrogen-fuel-basics

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.[13] 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 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

[13] 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

supply chain constraints. For hydrogen fueling stations, funding is only half the battle.

3) *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.[14,15]

4) *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.[16] 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.

Related/Prior Legislation

AB 32 (Nunez, Chapter 488, Statutes of 2006) authorized CARB to use market-based compliance methods, such as Cap-and-Invest to achieve the state's climate goals.

AB 118 (Nunez, Chapter 750, Statutes of 2007) Provided 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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- The California Department of Tax and Fee Administration (CDTFA) estimates that this bill would result in General Fund revenue losses of

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

$843,000 in 2026-27, $1.7 million in 2027-28, and $1.3 million in 2028-29. CDTFA's administrative costs would be minor and absorbable.

- Administrative costs to the California Air Resources Board (CARB) and the California Energy Commission (CEC) have yet to be identified.

SUPPORT: (Verified 5/14/2026)

California Hydrogen Coalition (Source)
California Electric Transportation Coalition

OPPOSITION: (Verified 5/14/2026)

None received

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