

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 419 (Caballero) – As Amended June 23, 2025

Policy Committee: Revenue and Taxation

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill exempts, under the Sales and Use Tax (SUT) Law, hydrogen fuel from the state General Fund (GF) portion of the SUT rate.

Specifically, this bill:

- 1) Exempts, beginning July 1, 2026, until July 1, 2030, hydrogen fuel from the GF-portion of SUT rate.
- 2) Defines “hydrogen fuel” and provides that the fuel must be: (a) sold by a hydrogen fuel station, (b) sold for use in a hydrogen fuel cell electric vehicle, or (c) sold for use in a hydrogen internal combustion engine vehicle.
- 3) Declares the purpose of the new SUT exemption and requires the Department of Tax and Fee Administration (CDTFA) analyze, by October 1, 2027, and annually thereafter, specified performance indicators and report findings to the Legislature.

FISCAL EFFECT:

- 1) Annual GF revenue loss of approximately \$3.8 million. By decreasing SUT revenue, this bill also likely decreases Proposition 98 GF spending by approximately 40% of the GF revenue loss (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- 2) Absorbable costs to CDTFA to notify industry stakeholders, revise the SUT return and related publications, and answer public inquiries.

COMMENTS:

- 1) **Purpose.** According to the author:

This bill will create greater tax parity between fuel cell electric vehicles and traditional fuel and vehicle types including electricity and alternative fuels with the goal of ensuring all viable options are available to drivers. This bill will encourage the deployment and adoption of more hydrogen powered vehicles across all vehicle classes and drive the deployment of more hydrogen fuel stations.

- 2) **Background. *Erosion of the SUT Base.*** Despite being the state’s third largest source of GF revenues, the past several decades have seen a dramatic reduction in the state’s reliance on SUT and a corresponding increase in reliance on personal income tax revenues. California’s economy has seen dramatic growth in the service and information sectors, resulting in a significant erosion of the SUT base that further shrinks with any additional SUT exemption. The SUT is also widely criticized as a regressive tax that disproportionately impacts lower-income individuals. However, the shrinking SUT base compounds fiscal pressure to maintain or even increase California’s relatively high SUT rate.

Zero Emission Vehicles (ZEVs). ZEVs generally fall into two broad categories based on the energy used for power: battery electric vehicles (BEVs) and hydrogen fuel cell electric vehicles (FCEVs). FCEVs use high-pressure tanks to store pure hydrogen. Tanks may be refilled at retail hydrogen fueling stations within five minutes, similar to refueling a gasoline-powered car. Both hydrogen and gasoline pumped through a retail station are subject to SUT, as SUT applies to all non-exempt tangible personal property sold to a consumer. In contrast, existing law exempts gas and electricity sold through mains, lines, or pipes from SUT. Thus, the electricity sold to a consumer charging a BEV at a home-based or public charging station connected to a utility’s power lines is exempt from SUT. This bill provides a partial SUT exemption for hydrogen fuel. According to the Assembly Revenue and Taxation Committee’s analysis of this bill, “this bill would result in a savings of approximately \$7 for every \$180 worth of hydrogen fuel purchased.”

- 3) **Support and Opposition.** This bill is sponsored by the California Hydrogen Coalition, which argues, “inconsistencies in the structure of fuels taxes are putting hydrogen drivers at a disadvantage.” This bill is also supported by other hydrogen groups, transit agencies, and local government entities.

This bill is opposed by the California Teachers Association, which acknowledges the intent of this bill, but “does not support this approach, as it would reduce overall funding for education... Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.” This bill is also opposed by various environmental groups, unless amended to focus incentives on green hydrogen.

- 4) **Prior Legislation.** AB 745 (Petrie-Norris), of the 2019-20 Legislative Session, was similar to this bill, except AB 745 would have limited the exemption to hydrogen fuel sold in a retail setting only and additionally applied the exemption to the local portion of the SUT. AB 745 was held on this committee’s suspense file.

AB 3000 (Friedman), of the 2017-18 Legislative Session, was substantively similar to AB 745. AB 3000 was held on this committee’s suspense file.

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