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UNFINISHED BUSINESS

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Bill No: SB 419  
Author: Caballero (D), et al.  
Amended: 9/2/25  
Vote: 21- Urgency

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SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 5/14/25  
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE APPROPRIATIONS COMMITTEE: 5-0, 5/23/25  
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson  
NO VOTE RECORDED: Dahle, Wahab

SENATE FLOOR: 36-0, 6/2/25  
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Weber Pierson, Wiener  
NO VOTE RECORDED: Becker, Hurtado, Reyes, Wahab

ASSEMBLY FLOOR: 70-0, 9/8/25 - See last page for vote

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**SUBJECT:** Hydrogen fuel

**SOURCE:** California Hydrogen Coalition

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**DIGEST:** This bill enacts a state General Fund-only (3.9375%) sales and use tax exemption for purchases of hydrogen fuel made on or after July 1, 2026.

*Assembly Amendments* of 9/2/25 strike the word “directly” in the definition of “hydrogen internal combustion engine vehicle” and insert the word “estimated” in front of “amount of hydrogen fuel sold at retail in the state each fiscal year.”

**ANALYSIS:**

## Existing law:

- 1) Imposes the sales tax on every retailer “engaged in business in this state” that sells tangible personal property, and requires them to register with the California Department of Tax and Fee Administration (CDTFA), as well as remit taxes collected from purchasers to CDTFA.
- 2) Applies the sales tax whenever a retail sale occurs, which is generally any sale other than one for resale in the regular course of business.
- 3) Provides that unless the purchaser pays the sales tax to the retailer, they are liable for the use tax, which is imposed on any person consuming tangible personal property in the state, and requires the purchaser to remit use tax to CDTFA.
- 4) Sets the state sales and use tax rate at 7.25% of the sales price of the property sold or used, of which 3.9375% flows to the state General Fund.
- 5) Allows cities, counties, and specified special districts to increase the sales and use tax, also known as district or transactions and use taxes, up to a 2% countywide cap, with some exceptions.
- 6) Exempts some items from the state and local sales and use tax, while others are exempt from the state sales tax, but not the local share.
- 7) Subjects sales of hydrogen fuel to the sales and use tax.
- 8) Subjects certain sales of hydrogen fuel to the excise taxes under the Use Fuel Tax Law.
- 9) Includes excise taxes under the Use Fuel Tax Law in the gross receipts of the sales and use tax.
- 10) Authorizes a state General Fund-only sales and use tax exemption for specified zero-emission technology transit buses sold to a city, county, city and county, transportation or transit district, or other public agency providing transit services to the public until January 1, 2024 (AB 784, Mullin, Chapter 684, Statutes of 2019) which the Legislature extended to January 1, 2026 (AB 2622, Mullin, Chapter 353, Statutes of 2022).

- 11) Authorizes a state General Fund-only sales and use tax exemption on qualifying zero or near-zero emission motor vehicles purchased or leased by qualified buyers under the Clean Cars 4 All program on purchases made between January 1, 2023, and December 31, 2027 (SB 1382, Gonzalez, Chapter 375, Statutes of 2022).
- 12) Imposes the road improvement fee, an annual registration fee, on battery-electric and hydrogen fuel cell electric vehicles that are model year 2020 or later.

This bill:

- 1) Authorizes a state General Fund-only (3.9375%) sales and use tax exemption for sales of hydrogen fuel, as defined, made on or after July 1, 2026.
- 2) Defines “hydrogen fuel” as fuel composed of molecular hydrogen intended for consumption in a surface motor vehicle or electricity production device with an internal combustion engine or fuel cell that meets any of the following criteria:
  - a) The fuel is sold by a hydrogen fuel station.
  - b) The fuel is sold for use in a hydrogen fuel cell electric vehicle.
  - c) The fuel is sold for use in a hydrogen internal combustion engine vehicle.
- 3) Sunsets on July 1, 2030.
- 4) Makes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code, specifically to require CDTFA to report to the Legislature by October 1, 2027, and annually thereafter, the amount of hydrogen fuel sold at retail in the state each fiscal year, and the estimated gross receipts from the sale of hydrogen fuel in the state each fiscal year.

**Background:**

*Clean Transportation Program (CTP).* The CTP, administered by the California Energy Commission (CEC), was established by AB 118 (Nunez, Chapter 750, Statutes of 2007) to accelerate the development and deployment of clean, efficient, low-carbon alternative fuels and technologies. AB 118 was re-authorized by AB 8 (Perea, Chapter 401, Statutes of 2013), which preempted California Air Resources Board (CARB) authority to require publicly available hydrogen-fueling stations through regulation, and instead required CEC to fund the development of up to 100 such hydrogen stations from vehicle registration fee revenues in the amount of up

to \$220 million over the next 11-plus years. AB 118 also required CEC and CARB to jointly report annually on progress toward establishing a hydrogen fueling network, beginning on December 31, 2015. The CTP was re-authorized again by AB 126 (Reyes, Chapter 319, Statutes of 2023). AB 126 required CEC to fund at least \$15 million annually through 2030 for hydrogen fueling stations and continue the annual reporting mandated by AB 118.

According to the most recent published joint report by CEC and CARB, as of July 15, 2024, California's hydrogen fueling network has 62 stations (four fewer than last year) and faces supply and reliability challenges. As such, it is unlikely that the 200 hydrogen fueling station target set by Governor Brown's Executive Order B-48-18 will be achieved. Additionally, according to the 2024 report, there were 14,429 hydrogen fuel cell vehicles (HFCV) with an active registration status in California, with projections to reach 20,500 by 2030 (one-third of the previously reported estimate of 62,600 on-road HFCVs by 2029).

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

According to the Assembly Appropriations Committee:

- General Fund (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).
- Absorbable costs to CDTFA to notify industry stakeholders, revise the SUT return and related publications, and answer public inquiries.

**SUPPORT:** (Verified 9/3/25)

California Hydrogen Coalition (Source)  
Air Products and Chemicals, Inc.  
Alameda-Contra Costa Transit District  
California Hydrogen Business Council  
County of Fresno  
Foothill Transit  
Green Hydrogen Coalition  
Long Beach Area Chamber of Commerce  
Port of Long Beach  
Sunline Transit Agency

**OPPOSITION:** (Verified 9/3/25)

350 Bay Area Action  
350 Humboldt: Grass Roots Climate Action  
350 Sacramento  
California Teachers Association  
Center for Biological Diversity  
Center for Community Action and Environmental Justice  
Center on Race, Poverty & the Environment  
Climate Action California  
Communities for a Better Environment  
Natural Resources Defense Council  
People's Collective for Environmental Justice  
Restore the Delta  
Santa Cruz Climate Action Network  
Sierra Club California

**ARGUMENTS IN SUPPORT:** According to the author, “Currently, hydrogen-powered vehicle owners in California face an unfair double taxation system, paying both a Sales and Use Tax (SUT) at the pump and a \$100 annual road improvement fee at registration. SB 419 seeks to correct this imbalance by aligning hydrogen taxation with local utility tax, to ensure a more equitable, clear, and streamlined system without altering the existing registration fee. This bill will create tax parity for Zero Emissions Vehicles to encourage alternative vehicle fuel options, specifically hydrogen fuel cell vehicles. This bill will encourage the development of new hydrogen fuel stations, more hydrogen powered vehicles, and more options for consumers. SB 419 will reinforce California’s climate change goals to reduce carbon emissions in the transportations sector. The bill will help encourage the production, consumption and proliferation of hydrogen fuel markets across the state.”

**ARGUMENTS IN OPPOSITION:** According to The Center for Biological Diversity, this bill “will incentivize the use of hydrogen fuel without consideration of how that fuel is produced or its necessity, or lack thereof, in a clean energy future. This bill will (1) incentivize the use of hydrogen fuel derived from harmful feedstocks that pose well-documented environmental and public health harms; (2) incentivize hydrogen combustion as a form of motor vehicle propulsion, despite the criteria pollutant emissions that could result; and (3) attempt to put hydrogen fuel on equal footing with battery-electric motor vehicle propulsion, even though battery-electric propulsion is already established, more efficient and economical (with a lower total cost of ownership), and far beyond hydrogen in deployment.”

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lowenthal, Macedo, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Wicks, Wilson, Rivas

NO VOTE RECORDED: Gabriel, Hart, Lee, McKinnor, Muratsuchi, Nguyen, Celeste Rodriguez, Schultz, Ward, Zbur

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\*\*\*\* END \*\*\*\*