April 12, 2018

The Honorable Autumn Burke
Chair, Assembly Revenue and Taxation Committee
1020 N Street, Room 167A
Sacramento, CA 95814

RE: AB 3000 (Friedman): Sales and Use Taxes – SUPPORT

Dear Chair Burke:

The California Hydrogen Business Council (CHBC) would like to express our strong support for AB 3000 regarding Sales and Use Taxes.

The CHBC is a California industry trade association with a mission to advance the commercialization of hydrogen in the energy sector, including transportation, goods movement, and stationary power systems to reduce emissions and dependence on oil.

The CHBC supports a sales and use tax exemption from January 1, 2019, through December 31, 2030 for retail hydrogen fuel dispensed in the state.

As background, fuel cell electric vehicles (FCEVs), powered with hydrogen fuel, are now being introduced in larger volumes by automakers including Toyota, Honda, Hyundai. Additional manufacturers are preparing their market entry, like General Motors, Audi, BMW, and Mercedes-Benz. While these vehicles are being commercialized throughout the world, California’s vision and mandate for zero emission vehicles (ZEVs) make the state one of the focal points for the initial introduction and success of FCEVs.

FCEVs can be more than two times more efficient than conventional vehicles. They are fueled with hydrogen gas, which is stored on the vehicle, and they emit no pollutants - only water and heat. Similar to conventional vehicles, they can fuel up in less than 5 minutes and have a driving range of more than 300 miles. Other benefits to FCEVs include increasing U.S. energy security and strengthening the economy.

Hydrogen can be produced from a variety of fuel sources, including renewable electricity and biogas, which supports California’s greening of the transportation sector.
Existing law was established by Executive Order B-48-14, which, among other things, called for a new and ambitious target of five million zero emission vehicles (ZEVs) by 2030. Despite California’s stated commitment to a ZEV future, consumer adoption remains a challenge. With just 300,000 zero emission vehicles on California roads today, it is critical that we employ a wide range of near-term tools to encourage and accelerate consumer adoption if we are to achieve our important transportation sector climate change goals.

Fuel cell electric vehicles, like their plug in battery counterparts, are zero emission battery electric vehicles, but are powered by hydrogen. California is one of the largest hydrogen producing states, with its hydrogen fuel sales subject to the sales and use tax. For this reason, California’s taxation of zero emission vehicles fuels is inconsistent. Section 6353 of the Revenue and Taxation Code completely exempts electricity from state and local sales and use tax. By exempting hydrogen sold as transportation fuel from the sales and use tax, AB 3000 will simply treat equally the consumers of two differing zero emission vehicle technologies.

Moreover, creating tax parity among technologies will reduce the consumer’s cost of ownership and accelerate the adoption of fuel cell electric vehicles. Because of its nascent use as a transportation fuel, fueling costs cannot yet compete with gasoline. However, as the industry grows, the cost of fuel will decline substantially. AB 3000’s exemption of hydrogen fuel from the state and local sales and use taxes sunsets on January 1, 2030. This 2030 sunset date reflects industry estimates for fueling costs becoming competitive with gasoline and electricity.

AB 3000 will ensure parity between the taxation of hydrogen and electricity when sold as transportation fuels for zero emission vehicles. In doing so, consumers purchasing fuel cell electric vehicles will be treated equally. The temporary reduction in the cost of hydrogen fuel will ease the transition for consumers into fuel cell electric vehicles.

We look forward to working with your office on the passage of AB 3000.

Sincerely,

Emanuel Wagner
Assistant Director
California Hydrogen Business Council

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