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March 31, 2016

Attention:

Assemblymember Matthew Harper,  
Ms. Oksana Jaffe, Chief Consultant, Committee on Revenue and Taxation,  
Mr. M. David Ruff, Principal Consultant, Committee on Revenue and Taxation

**Re: AB2673 (Harper)- Sales and Use Tax Exemption & Income Tax Credits for  
Hydrogen Refueling Station Equipment**

Dear Assemblymember Harper and the California State Assembly Committee  
on Revenue and Taxation,

The California Hydrogen Business Council is comprised of organizations and  
individuals involved in the business of hydrogen. Its mission is to advance the  
commercialization of hydrogen in transportation and stationary sources to  
reduce emissions and dependence on foreign oil. As such, the CHBC would like  
to express our strong support for AB2673 (Harper), which provides the  
following for hydrogen fueling stations:

1. a sales and use tax exemption from January 1, 2017, through December  
31, 2029; and
2. an income tax credit for calendar year 2016, which can be carried over in  
succeeding years until exhausted, for sales and use taxes paid from  
January 1, 2014 through January 1, 2017.

There are no existing exemptions from state sales and use tax for the purchase  
or lease (or for the storage, use or consumption) of hydrogen fueling station  
equipment. We strongly believe that grant monies should be used to build  
additional hydrogen refueling stations and not reabsorbed back into the state  
general fund for uses other than those for which the grants were intended.

As background, fuel cell electric vehicles (FCEVs), powered with hydrogen fuel,  
are just now being introduced in mass 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 two to three 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.

Recognizing the importance of FCEVs, the State of California passed AB 8 (Perea), which requires the California Energy Commission California's to allocate \$20 million annually until there are least 100 publically available hydrogen-fueling stations in California. However, when companies use this state grant money to purchase, lease, store, use, or otherwise consume equipment, parts, software or property used to operate or maintain their hydrogen refueling stations, they pay between 7.5% and 10% back to the state in sales or use taxes. California is not maximizing its investment in hydrogen refueling stations.

Sincerely,

Jeff Serfass  
Executive Director  
California Hydrogen Business Council  
310-455-6095 x312  
[jserfass@californiahydrogen.org](mailto:jserfass@californiahydrogen.org)

CC:

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Ms. Sue Highland, Committee Secretary, Revenue and Taxation

Organizational members of the CHBC include AC Transit, ACE Cogeneration Company, Air Liquide Advanced Technologies U.S., American Honda Motor, Ballard Power Systems, Bay Area Air Quality Management District, Bethlehem Hydrogen, BMW of North America, California Air Resources Board, California Fuel Cell Partnership, CALSTART, Cambridge LCF Group, Clean Energy Fuels, Coalition for Clean Air, Community Environmental Services, E4 Strategic Solutions, El Dorado National - California, Electro Power Systems, Energy Independence Now, FuelCell



Energy, General Motors Corporation, Giner, Gladstein, Neandross & Associates, Golden State EPC, GTA, GTM Technologies, H2 Logic, H2Safe, Hydrogen in Motion, Hydrogenics Corporation, Hydrogenious Technologies, HySA Systems Competence Centre, Hyundai Motor Company & Kia Motors, Idaho National Laboratory, Intelligent Energy, IRD Fuel Cells, ITM Power, Johnson Matthey Fuel Cells, Keyes, Fox & Wiedman, Linde North America, Longitude 122 West, McPhy Energy North America, National Renewable Energy Laboratory, Next Hydrogen Corporation, Nuvera Fuel Cells, Paramount Energy West, Plug Power, Port of Long Beach, PowerDisc Development Corporation, Powertech Labs, Proton OnSite, Rio Hondo College, Rose Communications, Sacramento Municipal Utility District, SAFCell, Schatz Energy Research Center, Solar Hydrogen, South Coast Air Quality Management District, Southern California Gas Company, SunLine Transit Agency, Swagelok Los Angeles, Total Transportation Services, Toyota Motor North America, Advanced Power and Energy Program - UC Irvine, United Hydrogen Group, US Hybrid Corporation, Zero Carbon Energy Solutions, Ztek Corporation. The views expressed in these comments are those of the CHBC, and do not necessarily reflect the views of all of the individual CHBC member companies.