



April 11, 2023

SUMMARY OF BILL AS AMENDED (006999): Adds hydrogen gas as a product used to power a fuel cell to the definition of alternative fuel for the purposes of fuel tax law. Subjects hydrogen gas to the compressed natural gas tax. Exempts hydrogen gas from the sales and use tax. Effective January 1, 2024.

FISCAL IMPACT OF BILL AS AMENDED:

Other Fiscal Impact – An increase in state revenue to the Highway Fund and a net decrease in state revenue to the General Fund; however, the precise amount and timing of any such future impacts are dependent on multiple unknown factors and cannot be reasonably determined. The net impact on local tax revenue is estimated to be not significant.

Assumptions for the bill as amended:

- According to the U.S. Department of Energy website, there are currently no hydrogen gas fueling stations located in Tennessee; the only such locations are currently in California. The precise amount of hydrogen gas sold to consumers in Tennessee is unknown.
- There currently is no specific tax on hydrogen gas in Tennessee; however, any such sales would be subject to sales and use tax under current law.
- Compressed natural gas is taxed at a rate of 21 cents per gallon and distributed as follows: 1.62 percent to the General Fund, 61.25 percent to the Highway Fund, and 37.13 percent to local government.
- The proposed legislation could result in a decrease in sales tax revenue to the state General Fund and local government and an increase in fuel tax revenue to the state Highway Fund and local government.
- The precise net impact on state and local tax revenue is dependent on if and when hydrogen gas fueling stations begin operating in this state and the use of hydrogen gas becomes more prevalent in Tennessee. The timing and amount of any future impact on the state General Fund and Highway Fund cannot be reasonably determined. The overall net impact on local government is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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