THE HYDROGEN TAX INCENTIVE ACT OF 2008
Establishing the Infrastructure Foundation for the Hydrogen Economy

Background

The proposed hydrogen tax credit supports the market introduction of hydrogen for use in fuel cells and internal combustion engines in nearer-term applications, including forklifts, stationary power generation, buses, and early automotive field trials. A key challenge for these early commercialization opportunities is the upfront cost of hydrogen fueling infrastructure and the fuel itself, problems that recede once reasonable volumes are achieved. To address this volume gap, a tax credit for hydrogen fueling infrastructure and fuel is proposed. While supporting early market penetration, the policy measure more generally advances several key milestones toward the hydrogen economy:

- √ Volume production of hydrogen fueling solutions and fuel cell technology, which means lower costs and a maturing supply chain—critical prerequisites to the market introduction of fuel cell vehicles;

- √ The market-driven installation of hydrogen fuelling infrastructure and stations as businesses, distribution centers, manufacturing plants, and bus depots access the tax credit.

- √ Public acceptance of hydrogen and fuel cell technology.

Hydrogen Tax Credit Mechanisms

1. **H2 Infrastructure Costs Incurred by Owner of Fueling Facility:** A 30% tax credit toward hydrogen infrastructure, not to exceed $200,000.

2. **H2 Fuel Costs Incurred by Owner of Hydrogen Energy Conversion Device:** 30% of hydrogen fuel costs up to $2000 per hydrogen energy conversion device (HECD) less than or equal to 25 kW per year; $4000 per year per HECD greater than 25 kW and less than 100 kW; and $6000 per year per HECD of 100 kW or greater. A hydrogen energy conversion device is defined in H.R. 805 as follows: a fuel cell or internal combustion engine that operates on hydrogen, however it may be produced (for an internal combustion engine, use horsepower equivalent).

Duration: The tax credit is proposed for a 3-year period.