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A BILL FOR AN ACT

RELATING TO THE FILM INDUSTRY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 235-17, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) Any law to the contrary notwithstanding, there shall
5 be allowed to each taxpayer subject to the taxes imposed by this
6 chapter, an income tax credit that shall be deductible from the
7 taxpayer's net income tax liability, if any, imposed by this
8 chapter for the taxable year in which the credit is properly
9 claimed. The amount of the credit shall be:

10 (1) Twenty-two per cent of the qualified production costs 11 incurred by a qualified production in any county of 12 the State with a population of over seven hundred 13 thousand; or

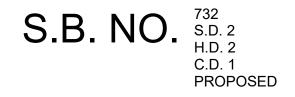
14 (2) Twenty-seven per cent of the qualified production15 costs incurred by a qualified production in any county

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1	of the State with a population of seven hundred
2	thousand or less[-];
3	provided that a qualified production with a workforce of at
4	least eighty per cent local hires shall be credited an
5	additional five per cent of the qualified production costs
6	incurred.
7	A qualified production occurring in more than one county
8	may prorate its expenditures based upon the amounts spent in
9	each county, if the population bases differ enough to change the
10	percentage of tax credit.
11	In the case of a partnership, S corporation, estate, or
12	trust, the tax credit allowable is for qualified production
13	costs incurred by the entity for the taxable year. The cost
14	upon which the tax credit is computed shall be determined at the
15	entity level. Distribution and share of credit shall be
16	determined by rule.
17	If a deduction is taken under section 179 (with respect to
18	election to expense depreciable business assets) of the Internal
19	Revenue Code of 1986, as amended, no tax credit shall be allowed
20	for those costs for which the deduction is taken.

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1	The basis for eligible property for depreciation of					
2	accelerated cost recovery system purposes for state income taxes					
3	shall be reduced by the amount of credit allowable and claimed."					
4	2. By amending subsections (n) and (o) to read:					
5	"(n) The total amount of tax credits allowed under this					
6	section in any particular year shall be [\$50,000,000; however,					
7	if] <u>\$60,000,000. If</u> the total amount of credits applied for in					
8	any particular year exceeds the aggregate amount of credits					
9	allowed for that year under this section, the excess shall be					
10	treated as having been applied for in the subsequent year and					
11	shall be claimed in the subsequent year; provided that no excess					
12	shall be allowed to be claimed after December 31, 2032.					
13	(o) For the purposes of this section:					
14	"Commercial":					
15	(1) Means an advertising message that is filmed using					
16	film, videotape, or digital media, for dissemination					
17	via television broadcast or theatrical distribution;					
18	(2) Includes a series of advertising messages if all parts					
19	are produced at the same time over the course of six					
20	consecutive weeks; and					

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1 (3) Does not include an advertising message with 2 Internet-only distribution. 3 "Digital media" means production methods and platforms 4 directly related to the creation of cinematic imagery and 5 content, specifically using digital means, including but not 6 limited to digital cameras, digital sound equipment, and 7 computers, to be delivered via film, videotape, interactive game 8 platform, or other digital distribution media. 9 "Post-production" means production activities and services 10 conducted after principal photography is completed, including 11 but not limited to editing, film and video transfers, 12 duplication, transcoding, dubbing, subtitling, credits, closed 13 captioning, audio production, special effects (visual and 14 sound), graphics, and animation. 15 "Production" means a series of activities that are directly

16 related to the creation of visual and cinematic imagery to be 17 delivered via film, videotape, or digital media and to be sold, 18 distributed, or displayed as entertainment or the advertisement 19 of products for mass public consumption, including but not 20 limited to scripting, casting, set design and construction,

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1 transportation, videography, photography, sound recording, interactive game design, and post-production. 2 3 "Qualified production": Means a production, with expenditures in the State, 4 (1)5 for the total or partial production of a feature-6 length motion picture, short film, made-for-television 7 movie, commercial, music video, interactive game, 8 television (including broadcast and streaming 9 platforms) series pilot, single season (up to 10 twenty-two episodes [+] for broadcast television and up 11 to eight episodes for an ongoing series for streaming 12 platforms) of a [television] series [regularly] filmed 13 in the State [(if]. If the number of episodes per 14 single season for a broadcast television series 15 exceeds twenty-two, and if the number of episodes per 16 single season for a streaming platform series exceeds 17 eight, additional episodes for the same season shall 18 constitute a separate qualified production $[\frac{1}{r}]$. 19 "Qualified production" also includes a television or 20 streaming platform special, single [television] 21 episode that is not part of a television or streaming

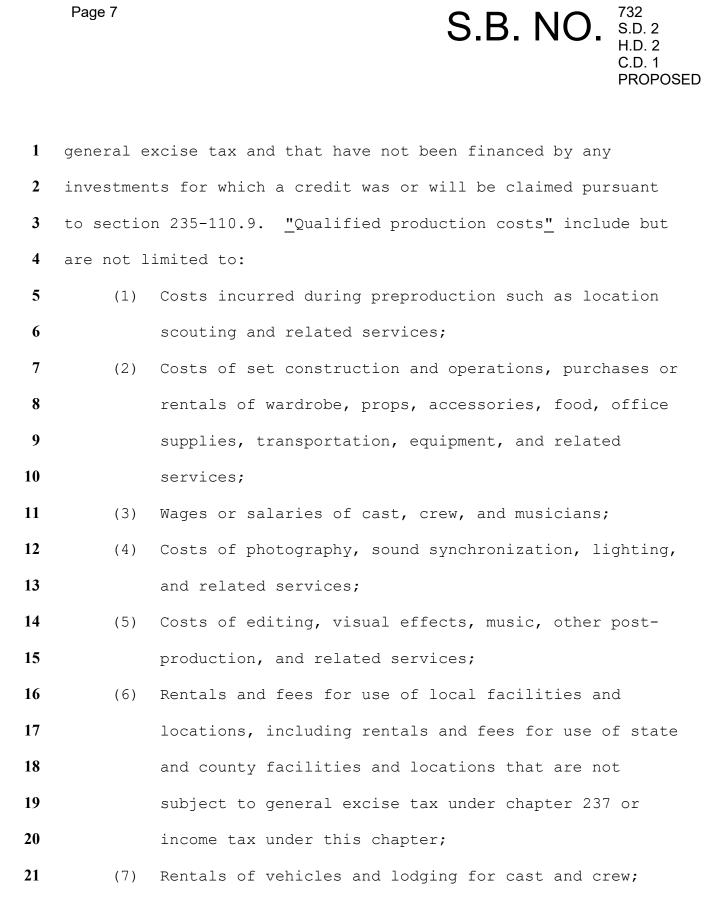
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1		<u>plat</u>	form series regularly filmed or based in the
2		Stat	e, national magazine show, [or] <u>and</u> national talk
3		show	. For the purposes of subsections (d) and (l),
4		each	of the aforementioned qualified production
5		cate	gories shall constitute separate, individual
6		qual	ified productions; and
7	(2)	Does	not include:
8		(A)	News;
9		(B)	Public affairs programs;
10		(C)	Non-national magazine or talk shows;
11		(D)	Televised sporting events or activities;
12		(E)	Productions that solicit funds;
13		(F)	Productions produced primarily for industrial,
14			corporate, institutional, or other private
15			purposes; and
16		(G)	Productions that include any material or
17			performance prohibited by chapter 712.
18	"Qua	lifie	d production costs" means the costs incurred by a
19	qualified	prod	uction within the State that are subject to the
20	general e	xcise	tax under chapter 237 at the highest rate of tax
21	or income	tax	under this chapter if the costs are not subject to

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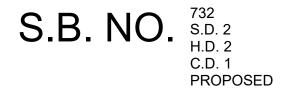
1	(8)	Airfare for flights to or from Hawaii, and interisland						
2		flights;						
3	(9)	Insurance and bonding;						
4	(10)	Shipping of equipment and supplies to or from Hawaii,						
5		and interisland shipments; and						
6	(11)	Other direct production costs specified by the						
7		department in consultation with the department of						
8		business, economic development, and tourism;						
9	provided	that any government-imposed fines, penalties, or						
10	interest that are incurred by a qualified production within the							
11	State shall not be "qualified production costs". "Qualified							
12	production costs" [does] <u>do</u> not include any costs funded by any							
13	grant, forgivable loan, or other amounts not included in gross							
14	income for purposes of this chapter.							
15	"Str	eaming platform" means an online provider of media						
16	content that delivers the content via internet connection to the							
17	subscribe	r's computer, television, or mobile device."						
18	SECTION 2. Statutory material to be repealed is bracketed							
19	and stricken. New statutory material is underscored.							
20	SECT	ION 3. This Act, upon its approval, shall apply to						
21	taxable y	ears beginning after December 31, 2025; provided that						

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- 1 on December 31, 2032, this Act shall be repealed and section
- 2 235-17, Hawaii Revised Statutes, shall be reenacted in the form
- 3 in which it read on the day before the effective date of this
- 4 Act.





Report Title:

Motion Picture, Digital Media, and Film Production Income Tax Credit; Broadcast and Streaming Platforms; Local Workforce Incentive; Aggregate Cap

Description:

Amends the Motion Picture, Digital Media, and Film Production Income Tax Credit by providing an additional credit to qualified productions with a workforce of at least eighty per cent local hires; increasing the aggregate cap amount on credits allowed in any given year; and including broadcast and streaming platform productions under the credit. (PROPOSED CD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

