
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 production
15 costs incurred by a qualified production in any county



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.



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~~] \$60,000,000. If 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



(3) Does not include an advertising message with
Internet-only distribution.

"Digital media" means production methods and platforms
directly related to the creation of cinematic imagery and
content, specifically using digital means, including but not
limited to digital cameras, digital sound equipment, and
computers, to be delivered via film, videotape, interactive game
platform, or other digital distribution media.

"Post-production" means production activities and services
conducted after principal photography is completed, including
but not limited to editing, film and video transfers,
duplication, transcoding, dubbing, subtitling, credits, closed
captioning, audio production, special effects (visual and
sound), graphics, and animation.

"Production" means a series of activities that are directly
related to the creation of visual and cinematic imagery to be
delivered via film, videotape, or digital media and to be sold,
distributed, or displayed as entertainment or the advertisement
of products for mass public consumption, including but not
limited to scripting, casting, set design and construction,



1 transportation, videography, photography, sound recording,
2 interactive game design, and post-production.

3 "Qualified production":

4 (1) Means a production, with expenditures in the State,
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~~[+]~~.
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



1 platform series regularly filmed or based in the
2 State, national magazine show, [~~or~~] and national talk
3 show. For the purposes of subsections (d) and (1),
4 each of the aforementioned qualified production
5 categories shall constitute separate, individual
6 qualified 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 "Qualified production costs" means the costs incurred by a
19 qualified production within the State that are subject to the
20 general excise tax under chapter 237 at the highest rate of tax
21 or income tax under this chapter if the costs are not subject to



1 general excise tax and that have not been financed by any
2 investments for which a credit was or will be claimed pursuant
3 to section 235-110.9. "Qualified production costs" include but
4 are not limited to:

5 (1) Costs incurred during preproduction such as location
6 scouting and related services;

7 (2) Costs of set construction and operations, purchases or
8 rentals of wardrobe, props, accessories, food, office
9 supplies, transportation, equipment, and related
10 services;

11 (3) Wages or salaries of cast, crew, and musicians;

12 (4) Costs of photography, sound synchronization, lighting,
13 and related services;

14 (5) Costs of editing, visual effects, music, other post-
15 production, and related services;

16 (6) Rentals and fees for use of local facilities and
17 locations, including rentals and fees for use of state
18 and county facilities and locations that are not
19 subject to general excise tax under chapter 237 or
20 income tax under this chapter;

21 (7) Rentals of vehicles and lodging for cast and crew;



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~~ do 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 "Streaming platform" means an online provider of media
16 content that delivers the content via internet connection to the
17 subscriber'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 SECTION 3. This Act, upon its approval, shall apply to
21 taxable years beginning after December 31, 2025; provided that



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)

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