

STAND. COM. REP. NO.

653

Honolulu, Hawaii

FEB 14 , 2025

RE: H.B. No. 1498

H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred H.B. No. 1498 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Increase the Motion Picture, Digital Media, and Film Production Income Tax Credit for qualified productions that utilize qualified production facilities located within the State;
- (2) Change the cap amount and aggregate cap amount of the Motion Picture, Digital Media, and Film Production Income Tax Credit to unspecified amounts; and
- (3) Exempt from the General Excise Tax amounts received by a motion picture project employer from a client equal to amounts that are disbursed by the motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits.

Your Committee received testimony in support of this measure from the University of Hawai'i; Honolulu Film Office of the City and County of Honolulu; SAG-AFTRA; IATSE Local 665; Motion Picture

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Association, Inc.; Island Film Group; Hawaii State AFL-CIO; Kapolei Chamber of Commerce; Maui Chamber of Commerce; Hawaii Media Inc.; and numerous individuals. Your Committee received comments on this measure from the Department of Taxation; Department of Business, Economic Development, and Tourism; and Tax Foundation of Hawaii.

Your Committee finds that the film, television, and digital media production industry is an asset to the State's economy that should be further leveraged to promote economic growth and job creation. This measure addresses this need by increasing the aggregate cap on the Motion Picture, Digital Media, and Film Production Income Tax Credit and the cap per qualified production and exempting certain expenses related to employee compensation and payments to loan-out companies from the General Excise Tax.

Your Committee has amended this measure by:

- (1) Including production, as defined in the Motion Picture, Digital Media, and Film Production Income Tax Credit law, as a form of manufacturing for the purposes of imposing the lower 0.5 General Excise Tax rate on productions, and repealing the provision in the definition of "qualified production costs" that limited the term to mean costs incurred that are subject to the highest General Excise Tax rate;
- (2) Including payments to loan-out companies in the exemptions from the General Excise Tax;
- (3) Changing the effective date for the provisions establishing General Excise Tax exemptions to January 1, 2026; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1498, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1498, H.D. 1, and be referred to your Committee on Finance.



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Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Technology,



GREGGOR ILAGAN, Chair



