JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

KA ʻOIHANA HOʻOMOHALA PĀʻOIHANA, ʻIMI WAIWAI A HOʻOMĀKAʻIKAʻI

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Wednesday, March 12, 2025
10:00 AM
State Capitol, Conference Room #423

In consideration of
SB732 SD2
RELATING TO THE FILM INDUSTRY

Chair Ilagan, Vice Chair Hussey and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers comments on SB732, SD2, which requires 1) each county to waive applicable permitting fees for film activity on county lands utilized by a qualified production, 2) an independent third-party certified public accountant certified review for production costs which exceed $1,000,000 in order to qualify, 3) repeals the provision authorizing film production tax credit claims to be applied to subsequent taxable years when the aggregate cap amount is met, and 4) blanks out the aggregate cap to an unspecified amount in any given year.

DBEDT notes that currently the caps for per-project funding ($17 million) and overall cap ($50 million) combined with additional challenges posed by entertainment payroll companies, <u>are diminishing Hawaii's competitive edge</u> compared to other countries and states. Given these circumstances, we believe that <u>repealing the provision that allows film production tax credits to be applied to subsequent taxable years will negatively impact our industry and likely result in fewer productions coming to Hawaii.</u>

Television series and features, both offshore and local, comprise a significant number of split-year filers each year. This is due to production schedules which are filmed over two calendar years, depending on the start date. As proposed, the repeal would be counterproductive to our collective goals of workforce development, expanding Hawaii's production infrastructure, and stimulating the state's economy.

Therefore, DBEDT respectfully requests the committee's consideration of the following amendments as follows:

1. In Section 1, page 1, lines 8-9, add clarifying language to align permitting recommendation waiver of fees with the timeline for registration and verification of pre-qualification for the tax credit under section 235-17: *"…by a qualified production that* ***has registered, has a production tax credit number assigned by the department to be considered for the tax credit under section 235-17"***
2. In Section 2, page 3, item 2, lines 3-9, **restore the language** which follows the blanked-out dollar amount ***for tax credit claims under section 235-17 to be applied to subsequent taxable years.***
3. To drive more local hires, and put our residents back to work, request your consideration to add a ***5% uplift for a production with 80% or more local hires***, as verified by the department, supporting the skilled workforce opportunities, including hiring of Hawai'i based producers. Through its review process, DBEDT will verify and track qualifying data by payroll documentation and vendor GET data.

Hawai'i's film industry has provided hundreds of jobs, launched careers and provided residents with a better than average living wage. Together we have an opportunity to turn around the current 50% decline in production with a competitive tax incentive with improvements to restore production jobs in the state. Thank you for the opportunity to testify.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAIʻI
DEPARTMENT OF TAXATION
Ka ʻOihana ʻAuhau
P.O. BOX 259
HONOLULU, HAWAIʻI 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION

TESTIMONY ON THE FOLLOWING MEASURE:
S.B. No. 732, S.D.2, Relating to the Film Industry.

BEFORE THE:
House Committee on Economic Development & Technology

DATE: Wednesday, March 12, 2025
TIME: 10:00 a.m.
LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 732, S.D.2, for your consideration.

S.B. 732, S.D.2, amends section 235-17(h), Hawaii Revised Statutes (HRS), to require taxpayers with claims of qualified production costs exceeding $1,000,000 in a taxable year to have an independent third-party certified public accountant verify all representations made for the purpose of claiming the film credit, including the required sworn statement and submissions to the Department of Business, Economic Development, and Tourism (DBEDT) and DOTAX. DBEDT and DOTAX are to prescribe the standards for the submission of the certificate.

The bill also amends section 235-17(n) by changing the annual aggregate cap from $50,000,000 to an unspecified amount, repealing the provision that allows claims to be made in the subsequent year if the aggregate cap is met, and repealing the December 31, 2032 credit sunset date.

The bill also amends section 235-17(o) to include films for broadcast and streaming platforms within the definition of a “qualified production.” Broadcast series with up to 22 episodes will constitute a single qualified production. Streaming platform series with up to 8 episodes will constitute a single qualified production.

The measure has a defective effective date of July 1, 2050 and applies to taxable years beginning after December 31, 2025.

DOTAX can administer the measure for taxable years beginning after December 31, 2025 while deferring to DBEDT on its ability to administer changes regarding certification of the credit and administration of the aggregate cap.

Thank you for the opportunity to provide comments on this measure.

HONOLULU FILM OFFICE
KE KEʻENA LĪPINE O HONOLULU
CITY AND COUNTY OF HONOLULU
530 SOUTH KING ST, ROOM 306 • HONOLULU, HAWAIʻI 96813
PHONE: (808) 768-6100 • FAX: WEBSITE: www.honolulu.gov/film-office

RICK BLANGIARDI
MAYOR
MEIA

WALEA L. CONSTANTINAU
FILM COMMISSIONER
KOMININA LĪPINE

Testimony of Walea Constantinau,
Film Commissioner, Honolulu Film Office
City and County of Honolulu

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

March 12, 2025
10:00 AM
State Capitol, Conference Room 423 and via Videoconference

RE: SB 732 SD2 RELATING TO FILM INDUSTRY -- COMMENTS

Dear Chair Ilagan, Vice-chair Hussey and members of the committees:

The Honolulu Film Office would like to thank the Legislature for its long-standing support of Hawai'i's Film Industry. The collaboration between the Legislature and the film industry is a great success story:

- **Is a revenue-generator that diversifies our economy** by attracting millions of dollars into our state and creates living-wage jobs
- **builds-up our local filmmakers** and bolstering their ability to elevate within the industry

The economic benefits are significant and numerous as outlined on page two of this testimony which includes outcome of studies that show:

- 94% Hawai'i residents believe filming is good for the State and 87% believe the film industry is important to Hawai'i's economy
- The Hawaii Production Tax Credit has proven to be responsible and cost effective for Hawai'i
- Over $120 million in additional state tax revenue was generated by film industry induced tourism

We strongly support the element of this measure that addresses the fundamental changes relating to the growth of streaming platforms. This one element is **crucial to being able to attract the Apple TV series CHIEF OF WAR, an epic sweeping historical drama all about Hawaiian History.**

We recommend retaining the third-party audit language as it will assist with streamlining the process both for the tax filer and DoTAX.

We do not support the section as written that seeks to waive the county permitting fees as that would **adversely affect multiple city and county departments that provide personnel such as police, fire department, standby ambulances, attendants and maintenance workers, etc** that can be a part of the required safety elements to closing streets, safeguarding special effects and stunts and ensuring key elements such as sprinklers and exterior lights are in sync with the filming requirements. These fees are reimbursed to the various departments who provide the service including HPD, HFD, Board of Water Supply, Dept of Transportation Services, Dept of Facility Maintenance, Dept of Parks and Recreation, etc. Non-payment of these fees would result in significant overtime costs for the departments which is untenable. The end result would not being able to properly support the needs of production as the services could not be made available.

Thank you for the opportunity to provide these comments.

The film industry tax credit is **designed to attract business to the state and grow the economy**. In a recent Public Opinion Poll of registered Hawaii Voters:

- 94% of residents believe filming in Hawaiʻi is good for the state
- 87% of residents believe the film industry is important to Hawaiʻi's economy
- 85% of residents support film tax incentives
- 63% of residents believe Hawaiʻi would be negatively impacted if the film industry left
- 67% of residents support increasing tax incentives to attract and retain movie productions in Hawaiʻi

The film industry's effect on the economy is catalytic – The internationally renowned media research firm Olsberg-SPI reports:

- **on average 67% of production costs are spent in other business areas in the economy*** – this kind of spending is highly desirable and drives broad economic growth
- The key pillars of Screen Development which we would achieve if the measure were adopted are:
    - Production Incentives
    - Workforce Capacity
    - Infrastructure
    - Film-Friendly policy and permitting environment

(**May 2024, Olsberg-SPI study on Best Practice in Screen Sector Development*)

The two most recent studies from **DBEDT's annual report** to the Hawaii State Legislature demonstrate the that the industry is **net positive** in a conservative assessment of the ROI of the program:

- 2022 Actual Expenditures: Tax Credit claimed: $34.43M **Tax Revenue generated: $36.03M**
- 2023 Estimated Expenditures: Tax Credit claimed: $20.98M **Tax Revenue generated: $21.2M**

Additionally, a 2024 DBEDT study Impacts of the Film Industry on 2022 Tourism in Hawaiʻi reveals:

4.5 million visitor days can be attributed to TV and movies filmed in Hawai'i and generates:

- **$1.0 billion in visitor spending**
- **$1.2 billion contribution to GDP**
- **$543.6 million in earnings**
- **$121.6 million in state tax revenue generated from film industry-driven tourism**

Randy Perreira
President

HAWAII STATE AFL-CIO

888 Mililani Street, Suite 501 • Honolulu, Hawaii 96813

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The Thirty-Third Legislature
House of Representatives
Committee on Economic Development & Technology

Testimony by
Hawaii State AFL-CIO

March 12, 2025

TESTIMONY IN SUPPORT OF SB732 SD2 - RELATING TO THE FILM INDUSTRY

Chair Ilagan, Vice Chair Hussey, and members of the committee:

The Hawaii State AFL-CIO is a state federation of 76 affiliate labor organizations representing over 69,000 union members across Hawaii in industries including healthcare, construction, hospitality, entertainment, transportation, and government. The Hawaii State AFL-CIO serves its affiliates by advocating for the rights of working families, promoting fair wages, safe working conditions, and policies that strengthen Hawaii's workforce.

We support SB732 SD2 because it strengthens job opportunities and economic stability for local workers. A strong film and digital media industry benefits many workers, including actors and production crews. Productions that choose Hawaii generate employment and economic activity that extends to small businesses and other industries that support film production.

Providing long-term certainty for this industry helps sustain well-paying jobs and ensures Hawaii remains a competitive location for productions. The Hawaii State AFL-CIO urges the committee to pass this measure to support workers and economic growth.

Respectfully submitted,

Randy Perreira
President

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME TAX; Add Broadcast and Streaming Platforms to Motion Picture, Digital Media, and Film Production Income Tax Credit

BILL NUMBER: SB 732 SD 2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Requires each county to waive applicable permitting fees for film activity conducted on county lands by a qualified production that qualifies for the film production tax credit. Requires qualified production costs of a taxpayer that exceed $1,000,000 to be certified by an independent third-party certified public accountant to qualify for the film production tax credit. Increases to an unspecified amount the aggregate cap amount of film production tax credits allowed in any given year. Repeals language authorizing film production tax credit claims to be applied to subsequent taxable years when the aggregate cap amount has been reached. Includes broadcast and streaming platform productions under the film production tax credit. Defines "streaming platform".

SYNOPSIS: Adds a new section to chapter 46, HRS, mandating that each county waive any applicable permitting fees for film activity conducted on county lands by a qualified production (as defined in section 235-17, HRS).

Amends HRS section 235-17(h), to require an independent third-party certification performed by a qualified certified public accountant if qualified production costs of a taxpayer exceed $1,000,000 in a taxable year. The certification is to be submitted to DBEDT with the section 235-17(h) identification statement and shall verify all representations made for purposes of claiming the credit.

Amends HRS section 237-17(n) to allow the tax credits allowed in any particular year to $_____.

Amends HRS section 237-17(o) definition of “Qualified production” to include broadcast television and streaming platforms.

Defines “streaming platform” as an online provider of media content that delivers the content via internet connection to the subscriber’s computer, television, or mobile device through a paid subscription.

EFFECTIVE DATE: July 1, 2050, shall apply to taxable years beginning after December 31, 2025.

STAFF COMMENTS: The production credit in HRS section 235-17 was enacted as Act 107, SLH 1997, as a percentage of the costs incurred in the State in the production of motion picture or television films. As enacted, the credit was 4% of regular production costs plus 6% of transient accommodations, mirroring the GET and TAT rates at the time. Act 156, SLH 1988, raised the TAT credit to 7.25% while also raising the TAT rate to 7.25%.

After a period where this credit took a back seat to the qualified high tech business program enacted by Act 221, SLH 2001, this credit was next amended by Act 88, SLH 2006, which added credits for digital media and replaced the GET and TAT bifurcation with a unified credit of 15% of qualified production costs incurred in the C&C of Honolulu and 20% in any other county. The act added a per-production cap of $8 million and sunset the credit on Jan. 1, 2016.

Act 89, SLH 2013, changed the credit percentages to 20% in Honolulu and 25% in any other county; raised the per-production limit to $15 million; and extended the sunset date to Jan. 1, 2019.

Act 143, SLH 2017, extended the sunset date for the credit to Jan. 1, 2026, and first imposed an aggregate cap of $35 million. Act 275, SLH 2019, raised the aggregate cap to $50 million.

Act 217, SLH 2022, increased the credit percentages to 22% in Honolulu and 27% in any other county and extended the sunset date to January 1, 2033.

This bill yet again is proposing an increase to the aggregate credit cap from $50 million to $60 million and extending the sunset date for another 5 years to January 1, 2039.

We in Hawaii have had our production credit since 1997, so it's been more than twenty years. Have there been any studies about what the program has done for Hawaii's economy or Hawaii's tax revenue? None were cited to the Legislature when the Hawaii production tax credit was increased in 2013. Maybe we don't care as much about the hard dollars as we do about other intangible effects like local jobs, the development of a skilled workforce, or robust media education programs that simply weren't around at the turn of the century. Even if so, lawmakers should have data on these intangibles, and other cost-benefit information, so they can make rational decisions on this matter.

Certainly, the film industry promises increased opportunities. Some of them certainly have materialized. The Motion Picture Association, for example, claims 4 films and 13 TV series were filmed in Hawaii in 2021, and 3 films and 9 TV series in 2022, resulting in 4,130+ jobs and $262.6+ million in wages in the state. See https://www.motionpictures.org/advocacy/driving-local-economies/#map.

But chasing these opportunities needs to be balanced against the cold hard reality of solving the problems at hand. Lawmakers need to ask whether production tax credits create sustainable economic development. It's well known that most productions shoot for a while and then wrap; the crew that supports the production then jumps to the next one. A case may be made for the production credits if they keep the productions rolling in and contributing to the economy. But the people need to see that case to justify continued redirection of resources to these credits while those resources could instead lower the overall tax burden not only for families but for the businesses that provide long-term employment for Hawaii's people.

Digested: 3/8/2025

UNIVERSITY OF HAWAIʻI SYSTEM
ʻŌNAEHANA KULANUI O HAWAIʻI

Legislative Testimony
Hōʻike Manaʻo I Mua O Ka ʻAhaʻōlelo

Testimony Presented Before the
House Committee on Economic Development & Technology
Wednesday, March 12, 2025 at 10:00 a.m.
by
Christopher Lee, Founder/Director, Academy for Creative Media, UH System
on behalf of
Vassilis L. Syrmos, Vice President for Research and Innovation
University of Hawaiʻi System

SB 732 SD2 – RELATING TO FILM INDUSTRY

Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

The University of Hawaiʻi (UH) supports the intent of SB 732 SD2 which seeks to enhance and sustain the state's existing production tax credits which are essential for workforce development, a diversified economy, and to ensure jobs for our many graduates in the production industry.

Defining "streaming platform" is essential given the changes in technology and how shows and films are delivered directly to the consumer. By recognizing that most streaming shows have six, eight or 10 episodes per season and much higher production budgets than the outdated 20-episode season definition -- means that $100 million blockbusters like *Chief of War* might have had a better chance of staying in Hawaiʻi instead of shooting primarily in New Zealand.

As Hollywood has moved more and more shows overseas where the incentives exceed our own and the currency exchange rates make us far less competitive than we were five years ago, it is important for the state to continue to support this vital industry.

Thank you for the opportunity to testify.

March 12, 2025

House Committee on Economic Development & Technology
Representative Greggor Ilagan, Chair
Representative Ikaika Hussey, Vice Chair

KAPOLEI CHAMBER of COMMERCE

Working together for Kapolei

Thursday March 12, 2025, 10:00 a.m.
Conference Rm. 423 and via videoconference

Dear Chair Illagan , Vice Chair Hussey, and members of the committee:

RE: SB732 SD2 Relating to the Film Industry

My name is Kiran Polk, and I am the Executive Director & CEO of the Kapolei Chamber of Commerce. The Kapolei Chamber of Commerce is an advocate for businesses in the Kapolei region including Waipahu, Kapolei, ʻEwa Beach, Nānakūli, Waiʻanae and Mākaha. The Chamber works on behalf of its members and the business community to improve the regional and State economic climate and help West Oʻahu businesses thrive. We are a member- driven, member-supported organization representing the interests of all types of business: small, medium or large, for profit or non-profit businesses or sole proprietorship.

The Kapolei Chamber is in **strong support of SB732** which increases the aggregate cap amount of film production tax credits allowed in any given year and includes broadcast and streaming platform productions under the film production tax credit. The measure also adds a provision requiring counties to waive applicable permitting fees for film activity conducted on county lands while also requiring qualified production costs that exceed $1,000,000 to be certified by an independent third-party CPA to qualify for the film production tax credit.

The Kapolei Chamber of Commerce has prioritized the effort to support the establishment of a film studio in West O'ahu and increasing film production is greatly needed to simply provide jobs and opportunities for our kamaʻaina.

According to recent reporting, **Hawaiʻi's film industry production was down 50% in 2024** as compared to previous years. Production companies are choosing other locations in part because we do not have the film industry incentives that other locations offers as well as the facilities. https://www.kitv.com/news/hawaii-film-industry-down-nearly-50-government-looks-at-options/article_559581d0-f969-11ef-9789-dfdc718bcb3b.html

This measure will provide the needed incentives to grow a billion-dollar industry here in Hawai'i.

Having more film production will not only bring revenue into O'ahu county, but it will also provide an opportunity for our students to stay here in Hawai'i making a living wage and provide an opportunity for Hawai'i residents to return home. There are opportunities to employ Hawai'i people across a range of sectors, from construction, catering, costuming, camera, post-production, and beyond. We also believe that West O'ahu provides the ideal location for a film studio, next to the University of Hawai'i – West O'ahu's Academy of Creative Media, however we need more film production to sustain the industry.

More jobs, specifically living wage, professional jobs are needed on the west side to keep pace with the population growth in West O`ahu. Decades ago, the City and County of Honolulu adopted a goal of creating a "Second City" and moving residential and economic growth toward West O'ahu. West O`ahu's growing population of almost 200,000 includes the Wai`anae Coast, `Ewa, and Waipahu. In Kapolei and `Ewa alone households are expected to exceed 56,000 by the year 2035 and over the next 30 years the population in Kapolei and `Ewa will increase by 40 percent and housing by 52 percent.

We believe these incentives to grow the film industry will result in economic growth and more specifically job growth, which is especially in West O`ahu is warranted and needed.

Thank you for your consideration of this measure.

Respectfully,

Kiran Polk
Executive Director & CEO

ISLAND
FILM GROUP

The House of Representatives
The Thirty-Third Legislature
Regular Session of 2025

COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
Rep. Greggor Ilagan, Chair
Rep. Ikaika Hussey, Vice Chair

RE: SB732 SD2 RELATING TO THE FILM INDUSTRY

Date: Wednesday, March 12, 2025
Time: 10:00 a.m.
Conference Room 423
State Capitol
415 South Beretania Street

March 11, 2025

From: Ricardo Galindez and Roy Tjioe
Island Film Group
99-1245 Halawa Valley St.
Aiea, HI 96701
808-536-7955

Aloha Chair Ilagan, Vice Chair Hussey and Members of the Committee:

Our Background

Island Film Group is the largest locally owned and operated film, television and commercial production company. We have been working in the Hawaii's film and television industry since 2004, first as partners at the law firm of Goodsill Anderson Quinn & Stifel, where we represented mainland studios, local filmmakers and other production companies, and since 2007 as the co-founders of Island Film Group.

We **SUPPORT SB732, SD2** with the following comments and suggested changes:

- **Independent Third-Party Certification Should Be Required Only If They Are Recognized By The Hawaii Film Office:** The Hawaii Film Office (HFO) have disregarded these certificates in the past and have proceeded with their own internal audits of tax credit claims. HFO should not be allowed to audit the tax credit claims as there is no administrative process for tax credit claimants to dispute the HFO findings or positions. Any audits should be performed by the Department of Taxation following the applicable administrative procedures

- **The Annual Credit Amount Should be Increased to $100,000,000:** The 2025 DBEDT/READ study "The Impacts of the Film Industry on 2022 Tourism in Hawaii" reports more than **$540 million in wages and more than $121 million in tax revenue from the visitor industry alone**. This is in addition to the wages and tax revenue generated from the film and television industry.

- **Each Episode Of A Television Series Should Be Considered A Separate Production:** Television series are critical to the health of our local film industry and we need to provide a greater incentive to attract them to Hawaii over other tropical filming locations. Having a tax credit program that favors movies over series is short-sighted.

We PROPOSE that the following language be added to the bill:

- **Film and Television Production Should Be Subject to GET at .5%:** Film and television should fall under the definition of "Manufacturing" for GET purposes, as it had been until 2019.

- **Entertainment Payroll Companies Should Be Exempt from GET:** Entertainment payroll companies are a critical part of the film industry. Complex union rules make it virtually impossible for a production company to pay employees directly. Subjecting entertainment production payroll to GET is an additional cost burden that no other Hawaii businesses are required to bear and effectively reduces the value of the production tax credit.

- **The Tax Credit Percentage Should Be Increased:** Given the increasingly competitive production landscape (both foreign and domestic) we propose increasing the tax credit to **30% for Oahu and 35% for the neighbor islands**.

- **The Per-Project Cap Should Be Increased to $20,000,000:** Given the increasingly competitive production landscape (both foreign and domestic) we propose increasing the per-project tax credit cap be increased to $20,000,000.

- **Tax Credits Should Be Allowed To Be Allocated Among Film Investors By Agreement:** The distribution of the tax credit is currently determined by administrative rule which requires that the tax credit can only be claimed by an investor in an amount related to its investment. Allowing investors in a production to reallocate tax credits amongst themselves does not increase the cost to the state but makes it easier to finance local film and television projects.

- **Costs To Construct Studio Facilities on State or County Property Should Be Included In The Definition of "Qualified Costs" For The Purpose Of The Tax Credit:** Allowing the construction of those facilities for the same tax credit as film and television productions helps support a permanent benefit to the local film industry.

- **Allow for Unclaimed Tax Credit Amounts To Be Rolled Over To The Following Calendar Year:** If the total allocated tax credits are not claimed in a calendar year such amount should be rolled over to the subsequent calendar year.

Aloha,

Ricardo Galindez and Roy Tjioe
Co-Founders, Island Film Group

Thirty-Third Legislature, State of Hawai'i
Regular Session of 2025
House Committee on Economic Development and Technology
Testimony by IATSE 665
March 12th, 2025

SB732 SD2 - RELATING TO THE FILM INDUSTRY

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee,

My name is Tuia'ana Scanlan, IATSE International Trustee and President of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **IATSE 665 supports SB732 SD2 with proposed amendments**, relating to the film industry.

To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program. SB732 SD2 will expand the definition of a "Qualified Production" to include broadcast and streaming platforms, will take meaningful steps to empower our film tax incentive program, and will support thousands of working families in Hawai'i. To this end, **we propose that SB732 SD2 be amended to include the following language** under Section 2, Subsection 2, sub-sub section (n):

"[...] ***however, if the total amount of credits applied for in any particular year exceeds the aggregate amount of credits allowed for that year under this section, the excess shall be treated as having been applied for in the subsequent year and shall be claimed in the subsequent year; provided that no excess shall be allowed to be claimed after*** ________, __, _____[...]"

Television shows (also referred to as "episodics") have historically started filming in the fall of one year, continued production through the winter, and wrapped production of a season in the fall. To exclude this language would be devastating to new and existing businesses and would hinder the positive economic impact that this industry provides to the state of Hawai'i.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are inimitable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. This industry offers unique support to regenerative tourism and the diversification of our economy. According to a study released February 2024 by DBEDT's Research & Economic Analysis Division (READ), in 2022:

- 4.5 million visitor days were attributed to visitors who traveled here due to TV programs and movies filmed in HI
- $1.0 billion was the total visitor spending attributed to visitors who traveled here due to TV programs and movies filmed in HI
- $1.163 billion in GDP, $543.6 million in earnings, and $121.6 million in state tax revenue was generated by visitors who traveled here due to TV programs and movies filmed in HI
- 14% of visitors from Japan, 8.6% from Korea, and 7.5% from Oceania stated television/movies filmed in HI as the only motivating factor for their trip

(https://files.hawaii.gov/dbedt/economic/reports/film_impacts_on_tourism_feb_2024.pdf)

When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ$1.65 - NZ$1.79 to the US$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. Without a robust film tax incentive to offset these factors, we will continue to lose work, immediate state economic benefit, and visitors to international locations.

IATSE 665 strongly supports SB732 SD2 with proposed amendments. We urge your committee to do the same. Thank you for the opportunity to testify.

In Solidarity,

Tuia'ana Scanlan
IATSE International Trustee
President, IATSE 665
(he/him/his)

SB-732-SD-2
Submitted on: 3/11/2025 9:15:17 AM
Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Daniel Rosner	Hawaii Media Inc.	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey and members of the Senate Committee,

I **STRONGLY SUPPORT SB732**, the only surviving bill sustainS the film business in Hawaii.

Please ask yourselves how many potentially $1billion industries we have in our state. Two years ago half a billion was spent. This year we are literally dead in the water.

This is our last chance to salvage something in the current legislative session. Let's try to pick some low hanging fruit to at least keep moving the ball forward and send a message of hope to the local people who work in the business here, and make an positive impression on the studio powers that be.

Expand the definition of Qualified Production to include "Streaming"; designate film production as "Manufacturing" subject to .5% General Excise Tax; allow individual series episodes to stand alone to claim the credit, and finally raise the cap to a modest $60million.

That is all.

Mahalo for the opportunity to testify,

Danny Rosner

SB-732-SD-2
Submitted on: 3/9/2025 9:45:45 PM
Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Eric Uyeda	Individual	Oppose	In Person

Comments:

Testimony in Opposition to SB732

Presented to the House Committee on Economic Development and Business
March 12, 2025

Chair, Vice Chair, and Members of the Committee,

I stand before you today to express my strong opposition to SB732. This bill appears to be a superficial attempt at reform that fails to address the fundamental issues plaguing our film industry. Moreover, I question the true intent behind maintaining a low tax credit cap, as it seems to benefit certain companies involved in tax incentive administration and financing, allowing them to profit from buying and selling tax credits.

Our film industry is undeniably in decline, and the reasons are clear:
- Non-Competitive Incentives: Hawaiʻi's current tax credit structure is insufficient to attract major productions, especially when compared to other states offering more generous incentives.
- Lack of Modern Infrastructure: We are missing the necessary facilities, such as soundstages and post-production houses, to support large-scale projects.
- Insufficient Workforce Development: There is a lack of comprehensive programs to train and retain local talent in the film industry.

Instead of addressing these pressing issues, SB732 offers minimal relief on tax credit rollovers—a change that primarily benefits the Film Office rather than the industry at large. This bill does not tackle our most significant obstacles:
- The PEO Payroll Mandate: This mandate has severely hampered independent productions, making it more difficult for them to operate in our state. I'm uncertain about the mandate's purpose, but if it was intended to deter union work and complicate life for union members, it's succeeding. I would like to see a study on the impact of this mandate on the film industry.
- Absence of a Concrete Plan for Infrastructure Development: There is no clear strategy to build the facilities necessary to support a thriving film industry.
- Ineffective Workforce Development Efforts: Current initiatives are insufficient and do not adequately prepare our workforce for opportunities in the film sector.
- Deterrent Tax Policies: Existing tax policies are more likely to scare away productions than attract them, hindering industry growth.

Furthermore, maintaining a low tax credit cap seems to serve the interests of certain companies involved in tax incentive administration and financing. For example, Island Film Group's website indicates that they have administered and financed over 120 tax credit claims in Hawaiʻi, representing more than $60 million in qualified expenditures. This situation raises concerns that the current system allows intermediaries to profit from the existing tax credit structure, potentially influencing the reluctance to raise the cap and fully support local productions.

Additionally, there are concerns regarding the staffing of the proposed film studio adjacent to the University of Hawaiʻi–West Oʻahu (UHWO). While the integration of educational facilities with industry operations can provide valuable hands-on experience for students, it is crucial to ensure that this does not lead to the replacement of unionized professionals with interns and students. The presence of a film studio adjacent to UHWO's Academy for Creative Media is intended to enhance student opportunities; however, it is essential to balance educational experiences with fair labor practices to prevent undermining union jobs.

We must recognize that Hawaiʻi is not competing in isolation. We are up against states like Georgia and New Mexico, which have implemented more attractive incentives and infrastructure to lure productions. If we continue on our current path, we risk being left behind.

Therefore, I urge you to reject SB732 and demand comprehensive industry reform. We need legislation that:
- Increases the Tax Credit Cap: Align our incentives with those of leading states to attract major productions.
- Develops Modern Infrastructure: Invest in the facilities necessary to support a robust film industry.
- Enhances Workforce Development: Implement effective programs to train and retain local talent.
- Revises Tax Policies: Create a tax environment that encourages productions to choose Hawaiʻi as their filming destination.

The world will not wait for us to catch up. We must act decisively to revitalize our film industry and ensure that Hawaiʻi becomes a competitive and attractive location for film productions.

Thank you for your attention.

SB-732-SD-2
Submitted on: 3/10/2025 6:25:19 PM
Testimony for ECD on 3/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Michael Gueso	Individual	Support	In Person

Comments:

Aloha Chair and Vice Chair

My name is Michael Gueso and I'm a member of HAWAII TEAMSTERS 996.

Im submitting testimony in Support of SB732 With Ammendments.

To assure the projected ROI as DBEDT and the Film Office projects for this tax credits any qualifying productions would have to hire as many local crew members and vendors as legally possible.

As a proprietary investor the State should be assured that any qualifying productions applying for this film tax credit is upholding the rules and regulations with the film tax credit Law.

Id like to suggest an ammendment that would replace language to read,

A qualifying production SHALL provide evidence of contacting all local labor Unions servicing Hawaiis film industry including but not limited to IATSE, TEAMSTERS, SAGAFTRA, DGA AFM, IBEW and any other supporting Unions before the start date of any production.

The qualifying production must provide that proof of contact to DBEDT and DBEDT must confirm with the supporting labor Unions its validity before start of production.

Mahalo Nui,

Michael Gueso

HAWAII TEAMSTERS 996