

JAN 23 2025

A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

1. By amending subsection (a) to read:

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

(1) [~~Twenty-two~~] Twenty-five per cent of the qualified production costs incurred in a taxable year by a qualified production in any county of the State with a population of over seven hundred thousand; or

(2) [~~Twenty-seven~~] Thirty per cent of the qualified production costs incurred in a taxable year by a qualified production in any county of the State with a population of seven hundred thousand or less.



1 A qualified production occurring in more than one county may
2 prorate its expenditures based upon the amounts spent in each
3 county, if the population bases differ enough to change the
4 percentage of tax credit.

5 In the case of a partnership, S corporation, estate, or
6 trust, the tax credit allowable is for qualified production
7 costs incurred by the entity for the taxable year. The cost
8 upon which the tax credit is computed shall be determined at the
9 entity level. [~~Distribution and share of credit shall be~~
10 ~~determined by rule.~~] Distributions of the tax credit shall be
11 made in accordance with subchapter J, K, or S of chapter 1, or
12 any other relevant pass-through entity allocation provisions of
13 the Internal Revenue Code of 1986, as amended, to which the
14 State conforms, except that section 704(b)(2).

15 If a deduction is taken under section 179 (with respect to
16 election to expense depreciable business assets) of the Internal
17 Revenue Code of 1986, as amended, no tax credit shall be allowed
18 for those costs for which the deduction is taken.

19 The basis for eligible property for depreciation of
20 accelerated cost recovery system purposes for state income taxes
21 shall be reduced by the amount of credit allowable and claimed."



S.B. NO. 1574

1 2. By amending subsection (1) to read:

2 "(1) Total tax credits claimed per qualified production
3 shall not exceed [~~\$17,000,000.~~] \$20,000,000."

4 3. 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.~~]
7 \$100,000,000; however, if the total amount of credits applied
8 for in any particular year exceeds the aggregate amount of
9 credits allowed for that year under this section, the excess
10 shall be treated as having been applied for in the subsequent
11 year and shall be claimed in the subsequent year; provided that
12 no excess shall be allowed to be claimed after December 31,
13 2032.

14 (o) For the purposes of this section:

15 "Commercial":

16 (1) Means an advertising message that is filmed using
17 film, videotape, or digital media, for dissemination
18 via television broadcast [~~or~~], theatrical
19 distribution[~~+~~], streaming services, or the Internet;



(2) Includes a series of advertising messages if all parts are produced at the same time over the course of six 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 and photographic 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, print, 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]:

(1) A series of activities that are directly related to the creation of visual and cinematic imagery to be



S.B. NO. 1574

1 delivered via film, videotape, or digital media and to
2 be sold, distributed, or displayed as entertainment or
3 the advertisement of products for mass public
4 consumption, including but not limited to scripting,
5 casting, set design and construction, transportation,
6 videography, photography, sound recording, interactive
7 game design, and post-production[-]; and

8 (2) A construction of film studio facilities on state or
9 county property.

10 "Qualified production":

11 (1) Means a production, with expenditures in the State,
12 for the total or partial production of a feature-
13 length motion picture, short film, made-for-television
14 movie, commercial, print campaign, music video,
15 interactive game, television series pilot, [single
16 ~~season (up to twenty-two episodes) of a television~~
17 ~~series regularly filmed in the State (if the number of~~
18 ~~episodes per single season exceeds twenty-two,~~
19 ~~additional episodes for the same season shall~~
20 ~~constitute a separate qualified production),~~
21 ~~television special, single television episode that is~~



1 ~~not part of a television series regularly filmed or~~
2 ~~based in the State,]~~ television series episode,
3 national magazine show, or national talk show. For
4 the purposes of subsections (d) and (l), each of the
5 aforementioned qualified production categories shall
6 constitute separate, individual qualified productions;
7 and

8 (2) Does not include:

- 9 (A) News;
10 (B) Public affairs programs;
11 (C) Non-national magazine or talk shows;
12 (D) Televised sporting events or activities;
13 (E) Productions that solicit funds;
14 (F) Productions produced primarily for industrial,
15 corporate, institutional, or other private
16 purposes; and
17 (G) Productions that include any material or
18 performance prohibited by chapter 712.

19 "Qualified production costs" means the costs incurred by a
20 qualified production within the State that are subject to the
21 general excise tax under chapter 237 at the highest rate of tax



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

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

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

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

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

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

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



1 (7) Rentals of vehicles and lodging for cast and crew;
2 (8) Airfare for flights to or from Hawaii, and interisland
3 flights;
4 (9) Insurance and bonding;
5 (10) Shipping of equipment and supplies to or from Hawaii,
6 and interisland shipments; ~~[and]~~
7 (11) Planning, development, and construction costs relating
8 to film studio facilities on state or county property;
9 and
10 ~~[(11)]~~ (12) Other direct production costs specified by the
11 department in consultation with the department of
12 business, economic development, and tourism;
13 provided that any government-imposed fines, penalties, or
14 interest that are incurred by a qualified production within the
15 State shall not be "qualified production costs". "Qualified
16 production costs" does not include any costs funded by any
17 grant, forgivable loan, or other amounts not included in gross
18 income for purposes of this chapter."

19 SECTION 2. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



S.B. NO. 1574

1 SECTION 3. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2024.

3

INTRODUCED BY: *Juan R. Ponce*



S.B. NO. 1574

Report Title:

Taxation; Motion Picture, Digital Media, and Film Production
Income Tax Credit; Credit Percentage; Distribution; Maximum
Credit Amount

Description:

Amends provisions relating to the Motion Picture, Digital Media, and Film Production Income Tax Credit. Increases the percentage of the qualified production costs that can be claimed by a qualified production company in different counties. Clarifies the distribution requirements of the tax credit. Increases the cap amount and aggregate cap amount of the tax credit.

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