

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** INCOME, Extension of Film and TV Production Credit, Reorganize Hawai'i Film Office into Commission

**BILL NUMBER:** SB 1237

**INTRODUCED BY:** Senate Committee on Energy, Economic Development, and Tourism

**EXECUTIVE SUMMARY:** Establishes the Hawai'i Film Commission in the Department of Business, Economic Development, and Tourism. Extends the sunset date of the motion picture, digital media, and film production income tax credit to January 1, 2038. Transfers all rights, powers, functions, and duties of the Hawai'i State Film Office to the Hawai'i Film Commission. Appropriates funds for one full-time equivalent executive director position within the Hawai'i Film Commission.

**SYNOPSIS:** Adds a new section to chapter 201, HRS, to establish the Hawaii Film Commission, to consist of five members, one residing in each of the main counties plus the director of DBEDT, that would be appointed by the Governor with the advice and consent of the Senate.

Amends section 235-17, HRS, to change the sunset date in subsection (n) from December 31, 2032 to December 31, 2038.

Makes other technical and conforming amendments.

**EFFECTIVE DATE:** January 1, 2024, with the appropriation in the Act to take effect on July 1, 2023.

**STAFF COMMENTS:** This credit 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, changed the credit percentages to 22% in Honolulu and 27% in any other county.

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 intelligent decisions on this matter.

Certainly, the film industry promises increased opportunities. Some of them certainly have materialized. 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.

The Foundation has no comments on whether the Hawaii Film Office as it currently exists deserves to be replaced with a Hawaii Film Commission, but notes that the proposal is unclear on whether the commissioners are to be compensated for their service.

Digested: 1/31/2023



February 10, 2023

Committee on Ways and Means  
Sen. Dela Cruz, Chair  
Sen. Keith-Agaran, Vice Chair

The Senate  
The Thirtieth-Second Legislature  
Regular Session of 2023

RE: SB 1237 - RELATING TO THE HAWAII FILM INDUSTRY  
DATE: Thursday, February 15, 2023  
TIME: 10:30 am  
PLACE: Conference Room 211  
State Capitol 415 South Beretania Street, Honolulu HI  
and via VIDEOCONFERENCE

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and the Members of the Committee,

We **support** this measure.

[SAG-AFTRA](#) represents over 1350 actors, recording artists, and media professionals in our state. We are professional performers working in front of the camera and behind the microphone.

The Film and Digital Media industries currently employ hundreds of Hawaii Local members, which account for thousands of jobs and millions of dollars in economic impact for the State. According to the Hawaii Department of Economic Development, Business, and Tourism, in the 2019 calendar year, the industry spent \$405 million in estimated production expenditures, generated an estimated \$707 million of economic impact, \$43.7 million in estimated tax revenues, and total job impacts of 3,303 jobs.<sup>1</sup>

We strongly support the extension of the motion picture, digital media, and film production income tax credit to January 1, 2038. With regards to the portion of the bill creating a film commission, we respectfully defer to the appropriate state, city, and county agencies.

Thank you for your time and consideration.

Respectfully,

Mericia Palma Elmore, Executive Director SAG-AFTRA Hawaii Local

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<sup>1</sup> <https://cid.hawaii.gov/wp-content/uploads/2022/06/CID-2021-UPDATE-V1-1.pdf>

**SB-1237**

Submitted on: 2/10/2023 6:14:39 PM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b>       | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>            |
|---------------------------|---------------------|---------------------------|---------------------------|
| Lynn Murakami<br>Akatsuka | Individual          | Support                   | Written Testimony<br>Only |

Comments:

I strongly support the passage of SB 1237 as it helps to diversify our economy in Hawaii. We need to support this non-polluting industry which provides many jobs for our Hawaii residents and production companies' employees spend money in our local small businesses while they are here in Hawaii.

**SB-1237**

Submitted on: 2/12/2023 10:47:18 AM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b>       | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>         |
|---------------------------|---------------------|---------------------------|------------------------|
| Patrick Brian Gilhooly II | Individual          | Support                   | Written Testimony Only |

Comments:

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the Senate Committee on Ways and Means,

My name is Patrick Brian Gilhooly II. I'm a member of IATSE Local 665, the union that represents entertainment technicians in the state of Hawai'i. I submit this testimony in support of SB 1237. I've been a member of IATSE 665 for almost 2 years and worked in the Film/TV sector of Hawai'i's entertainment industry for almost 6. We depend on the motion picture, digital media, and film production income tax credit to remain competitive in the global market. Extending the sunset date on the motion picture, digital media, and film production income tax credit will create a greater opportunity for growth and more opportunity for locals to be paid a thriving wage. Transparency is an important aspect of the fair administration of public funds and we support the creation of an empowered, properly staffed oversight body for this tax incentive. It's for these reasons that I support SB 1237. Thank you for the opportunity to testify.

Sincerely,

Patrick Brian Gilhooly II

Member, IATSE 665

**SB-1237**

Submitted on: 2/12/2023 12:28:34 PM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b>  | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>         |
|----------------------|---------------------|---------------------------|------------------------|
| Christina Fitzgerald | Individual          | Support                   | Written Testimony Only |

Comments:

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the Senate Committee on Ways and Means,

My name is Christina Fitzgerald. My husband is a member of IATSE Local 665, the union that represents entertainment technicians in the state of Hawai'i. I submit this testimony in support of SB 1237. My husband has worked in the Film/TV sector of Hawai'i's entertainment industry for 5 years. We depend on the motion picture, digital media, and film production income tax credit to remain competitive in the global market. Extending the sunset date on the motion picture, digital media, and film production income tax credit will create a greater opportunity for growth and more opportunity for locals to be paid a thriving wage. Transparency is an important aspect of the fair administration of public funds and we support the creation of an empowered, properly staffed oversight body for this tax incentive. It's for these reasons that I support SB 1237. Thank you for the opportunity to testify.

Sincerely,

Christina Fitzgerald

**SB-1237**

Submitted on: 2/12/2023 2:01:01 PM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>         |
|---------------------|---------------------|---------------------------|------------------------|
| Keahi Kuikahi       | Individual          | Support                   | Written Testimony Only |

Comments:

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the Senate Committee on Ways and Means,

My name is Keahi Kuikahi. I'm a member of IATSE Local 665, the union that represents entertainment technicians in the state of Hawai'i. I submit this testimony in support of SB 1237. I've been a member of IATSE 665 for 4 worked in the Film/TV sector of Hawai'i's entertainment industry for 4 years. We depend on the motion picture, digital media, and film production income tax credit to remain competitive in the global market. Extending the sunset date on the motion picture, digital media, and film production income tax credit will create a greater opportunity for growth and more opportunity for locals to be paid a thriving wage. Transparency is an important aspect of the fair administration of public funds and we support the creation of an empowered, properly staffed oversight body for this tax incentive. It's for these reasons that I support SB 1237. Thank you for the opportunity to testify.

Sincerely,

Keahi Kuikahi

Member, IATSE 665

**SB-1237**

Submitted on: 2/12/2023 2:22:40 PM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b>  | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>         |
|----------------------|---------------------|---------------------------|------------------------|
| Nicholas Masciangelo | Individual          | Support                   | Written Testimony Only |

Comments:

My name is Nicholas Masciangelo. I'm a member of IATSE Local 665, the union that represents entertainment technicians in the state of Hawai'i. I submit this testimony in support of SB 795 SD 1. I've been a member of IATSE 665 for 5 years and have worked in the Film/TV sector of Hawai'i's entertainment industry for 15 years. We depend on the motion picture, digital media, and film production income tax credit to remain competitive in the global market. It is equally important to me that the recipients of this incentive provide evidence of compliance with all applicable qualifying requirements. Transparency is key in the fair administration of this incentive. It's for these reasons that I support SB 795 SD 1. Thank you for the opportunity to testify.

Sincerely,

Nicholas Masciangelo

Member, IATSE 665



**SB-1237**

Submitted on: 2/13/2023 8:32:14 AM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b> | <b>Organization</b>               | <b>Testifier Position</b> | <b>Testify</b>            |
|---------------------|-----------------------------------|---------------------------|---------------------------|
| Kevin Kersting      | Testifying for IATSE<br>Local 665 | Support                   | Written Testimony<br>Only |

Comments:

Aloha Chair Dela Cruz, Vice-Chair Keith Agaran, and members of the Senate Committee on Ways and Means.

My name is Kevin Kersting. I'm a member of IATSE Local 665, the union that represents entertainment technicians in the State of Hawaii. I submit this testimony in support of SB 1237. I've been a member of IATSE 665 for 37 years. Worked in the Film/ TV sector of Hawaii's entertainment industry for 45 years. We depend on the motion picture, digital, media, and film/video production income tax credit to remain competitive in the global market. Extending the sunset date on the motion picture, digital media, and film production income tax will create a greater opportunity for growth and more opportunity for locals to be paid a thriving wage. Transparency is an important aspect of the fair administration of public funds and the creation of an empowered, properly staffed oversight body for this tax incentive. It's for these reasons that I support SB 1237. Thank you for the opportunity to testify.

Sincerely,  
Kevin  
Kersting  
Member, IATSE Local 665

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**SB-1237**

Submitted on: 2/13/2023 10:58:27 AM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>         |
|---------------------|---------------------|---------------------------|------------------------|
| Raimar Bylaardt II  | Individual          | Support                   | Written Testimony Only |

Comments:

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the Senate Committee on Ways and Means,

My name is Raimar Bylaardt II. I'm a member of IATSE Local 665, the union that represents entertainment technicians in the state of Hawai'i. I submit this testimony in support of SB 1237. I've been a member of IATSE 665 for 18 years and worked in the Film/TV sector of Hawai'i's entertainment industry for 19 years. We depend on the motion picture, digital media, and film production income tax credit to remain competitive in the global market. Extending the sunset date on the motion picture, digital media, and film production income tax credit will create a greater opportunity for growth and more opportunity for locals to be paid a thriving wage. Transparency is an important aspect of the fair administration of public funds and we support the creation of an empowered, properly staffed oversight body for this tax incentive. It's for these reasons that I support SB 1237. Thank you for the opportunity to testify.

Sincerely,

Raimar Bylaardt II

Member, IATSE 665



**SB-1237**

Submitted on: 2/13/2023 11:47:09 AM

Testimony for WAM on 2/15/2023 10:30:00 AM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Testify</b>            |
|---------------------|---------------------|---------------------------|---------------------------|
| Fabio Bylaardt      | Individual          | Support                   | Written Testimony<br>Only |

Comments:

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the Senate Committee on Ways and Means,

I support SB 1237.

Thank you for the opportunity to testify.