

JAN 23 2025

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# A BILL FOR AN ACT

RELATING TO TAXATION.

**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~~] Twenty-five per cent of the qualified  
11 production costs incurred in a taxable year by a  
12 qualified production in any county of the State with a  
13 population of over seven hundred thousand; or

14           (2) [~~Twenty-seven~~] Thirty per cent of the qualified  
15 production costs incurred in a taxable year by a  
16 qualified production in any county of the State with a  
17 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."



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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;



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1 (2) Includes a series of advertising messages if all parts  
2 are produced at the same time over the course of six  
3 consecutive weeks[ ~~and~~

4 ~~(3) Does not include an advertising message with~~  
5 ~~Internet-only distribution].~~

6 "Digital media" means production methods and platforms  
7 directly related to the creation of cinematic and photographic  
8 imagery and content[~~, specifically using digital means,~~  
9 ~~including but not limited to digital cameras, digital sound~~  
10 ~~equipment, and computers,~~] to be delivered via film, videotape,  
11 print, interactive game platform, or other digital distribution  
12 media.

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

19 "Production" means [a]:

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



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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



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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.



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

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INTRODUCED BY: *Josmar R. Sandoval*



# 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.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

