

Honolulu, Hawaii

FEB 14 2025

RE: S.B. No. 1629
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Economic Development and Tourism, to which was referred S.B. No. 1629 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent 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 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 System; Honolulu Film Office of the City and County of Honolulu; SAG-AFTRA Hawaii Local; IATSE Local 665; Kapolei Chamber of Commerce; Island Film Group; Motion



Picture Association, Inc.; Maui Chamber of Commerce; Hawaii State AFL-CIO; Ehman Productions, Inc.; and numerous individuals.

Your Committee received testimony in opposition to this measure from Hawaii Teamsters Local 996 and one individual.

Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism and Department of Taxation.

Your Committee finds that it is imperative to encourage the continued development of the State's film industry for the employment, investment, and economic diversification opportunities it offers. Your Committee also finds it is unfair to require motion picture project employers to pay the general excise tax on amounts received from clients that are then used to pay employees, as many employers in other industries are exempt. This measure addresses both issues by increasing the relevant tax credit and authorizing a general excise tax exemption, thereby creating a more favorable economic climate for the film industry's growth in the State.

Your Committee notes the concerns raised in testimony regarding the distribution of the tax credit in situations that involve multiple investors. Allowing investors to reallocate tax credits amongst themselves does not increase the cost to the State and will attract a wider range of film investors. Your Committee further notes requests in testimony for a tax credit percentage increase. Additionally, your Committee notes concerns regarding the need to restore treatment of film and television productions as "manufacturing", which would decrease the general excise tax, effectively reducing the costs of production in the State, making it a more attractive and competitive production location.

Your Committee finds that these issues merit further consideration and respectfully requests that subsequent Committees to which this measure is referred examine these issues and concerns as this measure moves through the legislative process.



Your Committee has amended this measure by:

- (1) Decreasing the minimum size requirement for a qualified production facility from ten acres to seven to ten acres;
- (2) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1629, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1629, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Tourism,


LYNN DECOITE, Chair



