
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 PART I

2 SECTION 1. The purpose of this Act is to enhance Hawaii's
3 status as a premier destination for film, television, and
4 digital media production by modernizing the State's film and
5 media production tax credits. This Act boosts the current
6 incentives with an additional five per cent in credits for
7 productions that meet the minimum filming requirements at a
8 qualified production facility of the scale identified in the
9 city and county of Honolulu's Ordinance 25-1.

10 This Act encourages workforce development in film and media
11 production, particularly on Oahu's west side and on the neighbor
12 islands, by fostering local talent pipelines, supporting
13 educational partnerships, and incentivizing the hiring of Hawaii
14 residents in production roles.

15 Finally, this Act also recognizes the critical role of
16 privately financed investments in film production
17 infrastructure, such as the planned development of a



1 state-of-the-art production facility on University of Hawaii
2 lands at West Oahu, in strengthening Hawaii's capacity to
3 support high-quality productions. The adoption of
4 Ordinance 25-1 by the city and county of Honolulu to incentivize
5 film studio development underscores the alignment of state and
6 local efforts to build a robust and sustainable media industry.
7 By enhancing Hawaii's film, television, and digital media tax
8 credits in partnership with the city and county of Honolulu,
9 this Act will create a favorable economic climate for private
10 investment, ensure long-term industry growth, and expand
11 opportunities for local workers and communities across the
12 islands.

13 PART II

14 SECTION 2. Section 235-17, Hawaii Revised Statutes, is
15 amended as follows:

16 1. By amending subsection (a) to read:

17 "(a) Any law to the contrary notwithstanding, there shall
18 be allowed to each taxpayer subject to the taxes imposed by this
19 chapter, an income tax credit that shall be deductible from the
20 taxpayer's net income tax liability, if any, imposed by this
21 chapter for the taxable year in which the credit is properly



1 claimed. The amount of the credit shall be~~[+]~~ equal to the sum
2 of the following:

3 (1) Either:

4 (A) Twenty-two per cent of the qualified production
5 costs incurred by a qualified production in any
6 county of the State with a population of over
7 seven hundred thousand; or

8 ~~[+2+]~~ (B) Twenty-seven per cent of the qualified production
9 costs incurred by a qualified production in any
10 county of the State with a population of seven
11 hundred thousand or less~~[-]~~; and

12 (2) An additional five per cent of the qualified
13 production costs incurred by a qualified production
14 that utilizes qualified production facilities located
15 within the State.

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

20 In the case of a partnership, S corporation, estate, or
21 trust, the tax credit allowable is for qualified production



1 costs incurred by the entity for the taxable year. The cost
2 upon which the tax credit is computed shall be determined at the
3 entity level. Distribution and share of credit shall be
4 determined by rule.

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

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

12 2. By amending subsection (l) to read:

13 "(l) Total tax credits claimed per qualified production
14 shall not exceed [~~\$17,000,000.~~] \$ _____."

15 3. By amending subsections (n) and (o) to read:

16 "(n) The total amount of tax credits allowed under this
17 section in any particular year shall be [~~\$50,000,000.~~]
18 \$ _____; however, if the total amount of credits applied for
19 in any particular year exceeds the aggregate amount of credits
20 allowed for that year under this section, the excess shall be
21 treated as having been applied for in the subsequent year and



1 shall be claimed in the subsequent year; provided that no excess
2 shall be allowed to be claimed after December 31, 2032.

3 (o) For the purposes of this section:

4 "Commercial":

5 (1) Means an advertising message that is filmed using
6 film, videotape, or digital media, for dissemination
7 via television broadcast or theatrical distribution;

8 (2) Includes a series of advertising messages if all parts
9 are produced at the same time over the course of six
10 consecutive weeks; and

11 (3) Does not include an advertising message with
12 Internet-only distribution.

13 "Digital media" means production methods and platforms
14 directly related to the creation of cinematic imagery and
15 content, specifically using digital means, including but not
16 limited to digital cameras, digital sound equipment, and
17 computers, to be delivered via film, videotape, interactive game
18 platform, or other digital distribution media.

19 "Post-production" means production activities and services
20 conducted after principal photography is completed, including
21 but not limited to editing, film and video transfers,



1 duplication, transcoding, dubbing, subtitling, credits, closed
2 captioning, audio production, special effects (visual and
3 sound), graphics, and animation.

4 "Production" means a series of activities that are directly
5 related to the creation of visual and cinematic imagery to be
6 delivered via film, videotape, or digital media and to be sold,
7 distributed, or displayed as entertainment or the advertisement
8 of products for mass public consumption, including but not
9 limited to scripting, casting, set design and construction,
10 transportation, videography, photography, sound recording,
11 interactive game design, and post-production.

12 "Production facility" means a building or complex of
13 buildings and associated backlot facilities on real property
14 situated within the State in which pre-production, production,
15 and post-production activities occur that contain:

- 16 (1) At least one sound stage;
17 (2) Pre-production, production, and post-production
18 offices;
19 (3) Catering or dining facilities;
20 (4) Parking;
21 (5) Facades; and



1 (6) Mill space,
2 and that is closed to the general public and is within a
3 footprint of the site plan that forms a secure compound that is
4 clearly delineated with a tall perimeter enclosure. The term
5 excludes buildings and facilities that are not used for
6 pre-production, production, and post-production activities, but
7 are constructed or used in connection with the production
8 facility, including hotel and lodging facilities, or portions
9 thereof.

10 "Qualified production":

11 (1) Means a production, with expenditures in the State,
12 for the total or partial production of a
13 feature-length motion picture, short film,
14 made-for-television movie, commercial, 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



not part of a television series regularly filmed or based in the State, national magazine show, or national talk show. For the purposes of subsections (d) and (l), each of the aforementioned qualified production categories shall constitute separate, individual qualified productions; and

(2) Does not include:

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

"Qualified production costs" means the costs incurred by a qualified production within the State that are subject to the general excise tax under chapter 237 ~~[at the highest rate of tax]~~ or income tax under this chapter ~~[if the costs are not~~



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

- 5 (1) Costs incurred during preproduction such as location
6 scouting and related services;
- 7 (2) Costs of set construction and operations, purchases or
8 rentals of wardrobe, props, accessories, food, office
9 supplies, transportation, equipment, and related
10 services;
- 11 (3) Wages or salaries of cast, crew, and musicians;
- 12 (4) Costs of photography, sound synchronization, lighting,
13 and related services;
- 14 (5) Costs of editing, visual effects, music, other
15 post-production, and related services;
- 16 (6) Rentals and fees for use of local facilities and
17 locations, including rentals and fees for use of state
18 and county facilities and locations that are not
19 subject to general excise tax under chapter 237 or
20 income tax under this chapter;
- 21 (7) Rentals of vehicles and lodging for cast and crew;



(8) Airfare for flights to or from Hawaii, and interisland flights;

(9) Insurance and bonding;

(10) Shipping of equipment and supplies to or from Hawaii, and interisland shipments; and

(11) Other direct production costs specified by the department in consultation with the department of business, economic development, and tourism;

provided that any government-imposed fines, penalties, or interest that are incurred by a qualified production within the State shall not be "qualified production costs". "Qualified production costs" does not include any costs funded by any grant, forgivable loan, or other amounts not included in gross income for purposes of this chapter.

"Qualified production facility" means a production facility engaged in the production of a qualified production; provided that the production facility:

(1) Is located within the State;

(2) Is constructed after December 31, 2024;

(3) Is located on real property that:

(A) Is a minimum of ten acres in size; and



1 (B) Has been leased or purchased from the United
2 States, the State, or any political subdivision
3 thereof; and
4 (4) Costs a minimum of \$100,000,000 to design and
5 construct."

PART III

SECTION 3. The legislature finds that in 2019, the department of taxation stopped considering production as a form of manufacturing. As a result, the general excise tax rate applied to many elements of production increased substantially, from 0.5 to four per cent, increasing the costs for motion picture, digital media, and television production. The legislature further finds that restoring the general excise tax treatment of production as manufacturing would help expand the motion picture, digital media, and television industry in Hawaii, creating jobs and stimulating the economy.

The legislature also finds that during the 1980s and 1990s, the legislature recognized the unfairness of having the general excise tax apply to payroll reimbursements and enacted exemptions specific to several discrete industries. Act 175, Session Laws of Hawaii 1988, now codified as section 237-23.5,



1 Hawaii Revised Statutes, provides that the general excise tax
2 does not apply to common paymasters that are reimbursed by
3 related corporations that actually employ the workers paid. Act
4 351, Session Laws of Hawaii 1989, now codified as section 237-
5 24.7(1), Hawaii Revised Statutes, provides that the general
6 excise tax does not apply to amounts received for employee
7 wages, salaries, payroll taxes, insurance premiums, and
8 benefits, including retirement, vacation, sick pay, and health
9 benefits, by a hotel operator. Act 252, Session Laws of Hawaii
10 1992, now codified as section 237-24.7(4), Hawaii Revised
11 Statutes, provides that the general excise tax does not apply to
12 similar amounts received by an orchard operator. Act 214,
13 Session Laws of Hawaii 1998, now codified as section 237-
14 24.7(8), Hawaii Revised Statutes, provides that the general
15 excise tax does not apply to similar amounts received by a
16 management company from related entities selling
17 telecommunications services.

18 In the preamble to Act 214, Session Laws of Hawaii 1998,
19 the legislature discussed the exemptions for hotel and orchard
20 operators and then stated, "It is important that the same
21 exemption be extended to telecommunications businesses, because



1 of the highly mobile nature of telecommunications jobs. Also,
2 the general excise tax was never intended to serve, in effect,
3 as a tax on payrolls."

4 The legislature notes that, in Tax Information Release
5 No. 2024-04, the department of taxation has stated that the
6 general excise tax applies to all amounts that a payroll service
7 company receives from a film production company, unless there is
8 a specific statutory exemption for those amounts.

9 Accordingly, the purpose of this part is to:

- 10 (1) Include production as a form of manufacturing for the
11 purposes of the general excise tax rate; and
12 (2) Exempt from the general excise tax amounts received by
13 a motion picture project employer from a client equal
14 to amounts that are disbursed by the motion picture
15 project employer for employee wages, salaries, payroll
16 taxes, insurance premiums, and employment benefits and
17 payments to loan-out companies.

18 SECTION 4. Section 237-13, Hawaii Revised Statutes, is
19 amended to read as follows:

20 **"§237-13 Imposition of tax.** There is hereby levied and
21 shall be assessed and collected annually privilege taxes against



1 persons on account of their business and other activities in the
2 State measured by the application of rates against values of
3 products, gross proceeds of sales, or gross income, whichever is
4 specified, as follows:

5 (1) Tax on manufacturers.

6 (A) Upon every person engaging or continuing within
7 the State in the business of manufacturing,
8 including compounding, canning, preserving,
9 packing, printing, publishing, production as
10 defined in section 235-17, milling, processing,
11 refining, or preparing for sale, profit, or
12 commercial use, either directly or through the
13 activity of others, in whole or in part, any
14 article or articles, substance or substances,
15 commodity or commodities, the amount of the tax
16 to be equal to the value of the articles,
17 substances, or commodities, manufactured,
18 compounded, canned, preserved, packed, printed,
19 milled, processed, refined, or prepared for sale,
20 as shown by the gross proceeds derived from the
21 sale thereof by the manufacturer or person



1 compounding, preparing, or printing them,
2 multiplied by one-half of one per cent.

3 (B) The measure of the tax on manufacturers is the
4 value of the entire product for sale.

5 (2) Tax on business of selling tangible personal property;
6 producing.

7 (A) Upon every person engaging or continuing in the
8 business of selling any tangible personal
9 property whatsoever, there is likewise hereby
10 levied, and shall be assessed and collected, a
11 tax equivalent to four per cent of the gross
12 proceeds of sales of the business; provided that,
13 in the case of a wholesaler, the tax shall be
14 equal to one-half of one per cent of the gross
15 proceeds of sales of the business; and provided
16 further that insofar as the sale of tangible
17 personal property is a wholesale sale under
18 section 237-4(a)(8), the tax shall be one-half of
19 one per cent of the gross proceeds. Upon every
20 person engaging or continuing within this State
21 in the business of a producer, the tax shall be



1 equal to one-half of one per cent of the gross
2 proceeds of sales of the business, or the value
3 of the products, for sale.

4 (B) Gross proceeds of sales of tangible property in
5 interstate and foreign commerce shall constitute
6 a part of the measure of the tax imposed on
7 persons in the business of selling tangible
8 personal property, to the extent, under the
9 conditions, and in accordance with the provisions
10 of the Constitution of the United States and the
11 Acts of the Congress of the United States which
12 may be now in force or may be hereafter adopted,
13 and whenever there occurs in the State an
14 activity to which, under the Constitution and
15 Acts of Congress, there may be attributed gross
16 proceeds of sales, the gross proceeds shall be so
17 attributed.

18 (C) No manufacturer or producer, engaged in such
19 business in the State and selling the
20 manufacturer's or producer's products for
21 delivery outside of the State (for example,



1 consigned to a mainland purchaser via common
2 carrier f.o.b. Honolulu), shall be required to
3 pay the tax imposed in this chapter for the
4 privilege of so selling the products, and the
5 value or gross proceeds of sales of the products
6 shall be included only in determining the measure
7 of the tax imposed upon the manufacturer or
8 producer.

9 (D) A manufacturer or producer, engaged in such
10 business in the State, shall pay the tax imposed
11 in this chapter for the privilege of selling its
12 products in the State, and the value or gross
13 proceeds of sales of the products, thus subjected
14 to tax, may be deducted insofar as duplicated as
15 to the same products by the measure of the tax
16 upon the manufacturer or producer for the
17 privilege of manufacturing or producing in the
18 State; provided that no producer of agricultural
19 products who sells the products to a purchaser
20 who will process the products outside the State
21 shall be required to pay the tax imposed in this



1 chapter for the privilege of producing or selling
2 those products.

3 (E) A taxpayer selling to a federal cost-plus
4 contractor may make the election provided for by
5 paragraph (3) (C), and in that case the tax shall
6 be computed pursuant to the election,
7 notwithstanding this paragraph or paragraph (1)
8 to the contrary.

9 (F) The department, by rule, may require that a
10 seller take from the purchaser of tangible
11 personal property a certificate, in a form
12 prescribed by the department, certifying that the
13 sale is a sale at wholesale; provided that:

14 (i) Any purchaser who furnishes a certificate
15 shall be obligated to pay to the seller,
16 upon demand, the amount of the additional
17 tax that is imposed upon the seller whenever
18 the sale in fact is not at wholesale; and

19 (ii) The absence of a certificate in itself shall
20 give rise to the presumption that the sale



1 is not at wholesale unless the sales of the
2 business are exclusively at wholesale.

3 (3) Tax upon contractors.

4 (A) Upon every person engaging or continuing within
5 the State in the business of contracting, the tax
6 shall be equal to four per cent of the gross
7 income of the business.

8 (B) In computing the tax levied under this paragraph,
9 there shall be deducted from the gross income of
10 the taxpayer so much thereof as has been included
11 in the measure of the tax levied under
12 subparagraph (A), on another taxpayer who is a
13 contractor, as defined in section 237-6; provided
14 that any person claiming a deduction under this
15 paragraph shall be required to show in the
16 person's return the name and general excise
17 number of the person paying the tax on the amount
18 deducted by the person.

19 (C) In computing the tax levied under this paragraph
20 against any federal cost-plus contractor, there
21 shall be excluded from the gross income of the



1 contractor so much thereof as fulfills the
2 following requirements:

3 (i) The gross income exempted shall constitute
4 reimbursement of costs incurred for
5 materials, plant, or equipment purchased
6 from a taxpayer licensed under this chapter,
7 not exceeding the gross proceeds of sale of
8 the taxpayer on account of the transaction;
9 and

10 (ii) The taxpayer making the sale shall have
11 certified to the department that the
12 taxpayer is taxable with respect to the
13 gross proceeds of the sale, and that the
14 taxpayer elects to have the tax on gross
15 income computed the same as upon a sale to
16 the state government.

17 (D) A person who, as a business or as a part of a
18 business in which the person is engaged, erects,
19 constructs, or improves any building or
20 structure, of any kind or description, or makes,
21 constructs, or improves any road, street,



1 sidewalk, sewer, or water system, or other
2 improvements on land held by the person (whether
3 held as a leasehold, fee simple, or otherwise),
4 upon the sale or other disposition of the land or
5 improvements, even if the work was not done
6 pursuant to a contract, shall be liable to the
7 same tax as if engaged in the business of
8 contracting, unless the person shows that at the
9 time the person was engaged in making the
10 improvements the person intended, and for the
11 period of at least one year after completion of
12 the building, structure, or other improvements
13 the person continued to intend to hold and not
14 sell or otherwise dispose of the land or
15 improvements. The tax in respect of the
16 improvements shall be measured by the amount of
17 the proceeds of the sale or other disposition
18 that is attributable to the erection,
19 construction, or improvement of such building or
20 structure, or the making, constructing, or
21 improving of the road, street, sidewalk, sewer,



1 or water system, or other improvements. The
2 measure of tax in respect of the improvements
3 shall not exceed the amount which would have been
4 taxable had the work been performed by another,
5 subject as in other cases to the deductions
6 allowed by subparagraph (B). Upon the election
7 of the taxpayer, this paragraph may be applied
8 notwithstanding that the improvements were not
9 made by the taxpayer, or were not made as a
10 business or as a part of a business, or were made
11 with the intention of holding the same. However,
12 this paragraph shall not apply in respect of any
13 proceeds that constitute or are in the nature of
14 rent, which shall be taxable under paragraph (9);
15 provided that insofar as the business of renting
16 or leasing real property under a lease is taxed
17 under section 237-16.5, the tax shall be levied
18 by section 237-16.5.

19 (4) Tax upon theaters, amusements, radio broadcasting
20 stations, etc.



1 (A) Upon every person engaging or continuing within
2 the State in the business of operating a theater,
3 opera house, moving picture show, vaudeville,
4 amusement park, dance hall, skating rink, radio
5 broadcasting station, or any other place at which
6 amusements are offered to the public, the tax
7 shall be equal to four per cent of the gross
8 income of the business, and in the case of a sale
9 of an amusement at wholesale under section 237-
10 4(a)(13), the tax shall be one-half of one per
11 cent of the gross income.

12 (B) The department may require that the person
13 rendering an amusement at wholesale take from the
14 licensed seller a certificate, in a form
15 prescribed by the department, certifying that the
16 sale is a sale at wholesale; provided that:

17 (i) Any licensed seller who furnishes a
18 certificate shall be obligated to pay to the
19 person rendering the amusement, upon demand,
20 the amount of additional tax that is imposed



1 upon the seller whenever the sale is not at
2 wholesale; and

3 (ii) The absence of a certificate in itself shall
4 give rise to the presumption that the sale
5 is not at wholesale unless the person
6 rendering the sale is exclusively rendering
7 the amusement at wholesale.

8 (5) Tax upon sales representatives, etc. Upon every
9 person classified as a representative or purchasing
10 agent under section 237-1, engaging or continuing
11 within the State in the business of performing
12 services for another, other than as an employee, there
13 is likewise hereby levied and shall be assessed and
14 collected a tax equal to four per cent of the
15 commissions and other compensation attributable to the
16 services so rendered by the person.

17 (6) Tax on service business.

18 (A) Upon every person engaging or continuing within
19 the State in any service business or calling
20 including professional services not otherwise
21 specifically taxed under this chapter, there is



1 likewise hereby levied and shall be assessed and
2 collected a tax equal to four per cent of the
3 gross income of the business, and in the case of
4 a wholesaler under section 237-4(a)(10), the tax
5 shall be equal to one-half of one per cent of the
6 gross income of the business.

7 (B) The department may require that the person
8 rendering a service at wholesale take from the
9 licensed seller a certificate, in a form
10 prescribed by the department, certifying that the
11 sale is a sale at wholesale; provided that:

12 (i) Any licensed seller who furnishes a
13 certificate shall be obligated to pay to the
14 person rendering the service, upon demand,
15 the amount of additional tax that is imposed
16 upon the seller whenever the sale is not at
17 wholesale; and

18 (ii) The absence of a certificate in itself shall
19 give rise to the presumption that the sale
20 is not at wholesale unless the person



1 rendering the sale is exclusively rendering
2 services at wholesale.

3 (C) Where any person is engaged in the business of
4 selling interstate or foreign common carrier
5 telecommunication services within and without the
6 State, other than as a home service provider, the
7 tax shall be imposed on that portion of gross
8 income received by a person from service which is
9 originated or terminated in this State and is
10 charged to a telephone number, customer, or
11 account in this State notwithstanding any other
12 state law (except for the exemption under section
13 237-23(a)(1)) to the contrary. If, under the
14 Constitution and laws of the United States, the
15 entire gross income as determined under this
16 paragraph of a business selling interstate or
17 foreign common carrier telecommunication services
18 cannot be included in the measure of the tax, the
19 gross income shall be apportioned as provided in
20 section 237-21; provided that the apportionment



1 factor and formula shall be the same for all
2 persons providing those services in the State.

3 (D) Where any person is engaged in the business of a
4 home service provider, the tax shall be imposed
5 on the gross income received or derived from
6 providing interstate or foreign mobile
7 telecommunications services to a customer with a
8 place of primary use in this State when the
9 services originate in one state and terminate in
10 another state, territory, or foreign country;
11 provided that all charges for mobile
12 telecommunications services which are billed by
13 or for the home service provider are deemed to be
14 provided by the home service provider at the
15 customer's place of primary use, regardless of
16 where the mobile telecommunications originate,
17 terminate, or pass through; provided further that
18 the income from charges specifically derived from
19 interstate or foreign mobile telecommunications
20 services, as determined by books and records that
21 are kept in the regular course of business by the



1 home service provider in accordance with section
2 239-24, shall be apportioned under any
3 apportionment factor or formula adopted under
4 subparagraph (C). Gross income shall not
5 include:

6 (i) Gross receipts from mobile
7 telecommunications services provided to a
8 customer with a place of primary use outside
9 this State;

10 (ii) Gross receipts from mobile
11 telecommunications services that are subject
12 to the tax imposed by chapter 239;

13 (iii) Gross receipts from mobile
14 telecommunications services taxed under
15 section 237-13.8; and

16 (iv) Gross receipts of a home service provider
17 acting as a serving carrier providing mobile
18 telecommunications services to another home
19 service provider's customer.

20 For the purposes of this paragraph, "charges for
21 mobile telecommunications services", "customer",



1 "home service provider", "mobile
2 telecommunications services", "place of primary
3 use", and "serving carrier" have the same meaning
4 as in section 239-22.

5 (7) Tax on insurance producers. Upon every person engaged
6 as a licensed producer pursuant to chapter 431, there
7 is hereby levied and shall be assessed and collected a
8 tax equal to 0.15 per cent of the commissions due to
9 that activity.

10 (8) Tax on receipts of sugar benefit payments. Upon the
11 amounts received from the United States government by
12 any producer of sugar (or the producer's legal
13 representative or heirs), as defined under and by
14 virtue of the Sugar Act of 1948, as amended, or other
15 Acts of the Congress of the United States relating
16 thereto, there is hereby levied a tax of one-half of
17 one per cent of the gross amount received; provided
18 that the tax levied hereunder on any amount so
19 received and actually disbursed to another by a
20 producer in the form of a benefit payment shall be
21 paid by the person or persons to whom the amount is



1 actually disbursed, and the producer actually making a
2 benefit payment to another shall be entitled to claim
3 on the producer's return a deduction from the gross
4 amount taxable hereunder in the sum of the amount so
5 disbursed. The amounts taxed under this paragraph
6 shall not be taxable under any other paragraph,
7 subsection, or section of this chapter.

8 (9) Tax on other business. Upon every person engaging or
9 continuing within the State in any business, trade,
10 activity, occupation, or calling not included in the
11 preceding paragraphs or any other provisions of this
12 chapter, there is likewise hereby levied and shall be
13 assessed and collected, a tax equal to four per cent
14 of the gross income thereof. In addition, the rate
15 prescribed by this paragraph shall apply to a business
16 taxable under one or more of the preceding paragraphs
17 or other provisions of this chapter, as to any gross
18 income thereof not taxed thereunder as gross income or
19 gross proceeds of sales or by taxing an equivalent
20 value of products, unless specifically exempted."



SECTION 5. Section 237-24.75, Hawaii Revised Statutes, is amended to read as follows:

"§237-24.75 Additional exemptions. In addition to the amounts exempt under section 237-24, this chapter shall not apply to:

- (1) Amounts received as a beverage container deposit collected under chapter 342G, part VIII;
- (2) Amounts received by the operator of the Hawaii convention center for reimbursement of costs or advances made pursuant to a contract with the Hawaii tourism authority under section 201B-7; ~~[and]~~
- (3) Amounts received by a professional employer organization that is registered with the department of labor and industrial relations pursuant to chapter 373L, from a client company equal to amounts that are disbursed by the professional employer organization for employee wages, salaries, payroll taxes, insurance premiums, and benefits, including retirement, vacation, sick leave, health benefits, and similar employment benefits with respect to covered employees at a client company; provided that this exemption



1 shall not apply to amounts received by a professional
2 employer organization after:

3 (A) Notification from the department of labor and
4 industrial relations that the professional
5 employer organization has not fulfilled or
6 maintained the registration requirements under
7 this chapter; or

8 (B) A determination by the department that the
9 professional employer organization has failed to
10 pay any tax withholding for covered employees or
11 any federal or state taxes for which the
12 professional employer organization is
13 responsible.

14 As used in this paragraph, "professional employer
15 organization", "client company", and "covered
16 employee" shall have the meanings provided in
17 section 373L-1[-]; and

18 (4) Amounts received by a motion picture project employer
19 from a client equal to amounts that are disbursed by
20 the motion picture project employer for employee
21 wages, salaries, payroll taxes, insurance premiums,



1 and benefits, including retirement, vacation, sick
2 leave, health benefits, and similar employment
3 benefits with respect to motion picture project
4 workers at a client and for payments to loan-out
5 companies.

6 As used in this paragraph, "motion picture
7 project employer" and "motion picture project worker"
8 have the same meanings as in section 3512 of the
9 Internal Revenue Code of 1986, as amended."

10 PART IV

11 SECTION 6. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 7. This Act shall take effect upon its approval;
14 provided that:

15 (1) Section 2 shall apply to taxable years beginning after
16 December 31, 2024; and

17 (2) Section 5 shall take effect on January 1, 2026.



Report Title:

Income Tax; Motion Picture, Digital Media, and Film Production
Income Tax Credit; General Excise Tax; Partial Exemption for
Motion Picture Project Employers

Description:

Increases the motion picture, digital media, and film production income tax credit for qualified productions that utilize qualified production facilities located within the State. Changes the cap amount and aggregate cap amount of the motion picture, digital media, and film production income tax credit to unspecified amounts. Imposes the manufacturing GET rate on motion picture, digital media, and film productions and repeals the provision in the definition of "qualified production costs" that applied the term to mean costs incurred that are subject to the highest GET rate. Exempts from the GET amounts received by a motion picture project employer from a client equal to amounts that are disbursed by the motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits and payments to loan-out companies. (HD1)

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