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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 to read as follows:

3           "**§235-17 Motion picture, digital media, and film**  
4 **production income tax credit.** (a) Any law to the contrary  
5 notwithstanding, there shall be allowed to each taxpayer subject  
6 to the taxes imposed by this chapter, an income tax credit that  
7 shall be deductible from the taxpayer's net income tax  
8 liability, if any, imposed by this chapter for the taxable year  
9 in which the credit is properly claimed. The amount of the  
10 credit shall be~~[+]~~ equal to the sum of the following:

11           (1) Either:

12                 (A) Twenty-two per cent of the qualified production  
13 costs incurred by a qualified production in any  
14 county of the State with a population of over  
15 seven hundred thousand; or

16           ~~[-2-]~~ (B) Twenty-seven per cent of the qualified production  
17 costs incurred by a qualified production in any



1 county of the State with a population of seven  
2 hundred thousand or less[+];

3 (2) An additional five per cent of the qualified  
4 production costs incurred by a qualified production  
5 with a workforce of at least:

6 (A) Eighty per cent local hires in the first taxable  
7 year or second consecutive taxable year that the  
8 additional credit amount is claimed;

9 (B) Eighty-two per cent local hires in the third  
10 consecutive taxable year that the additional  
11 credit amount is claimed; and

12 (C) Eighty-five per cent local hires in the fifth  
13 consecutive taxable year that the additional  
14 credit amount is claimed; and

15 (3) The greatest of either:

16 (A) Five per cent of the qualified production costs  
17 incurred by a qualified production with an above-  
18 the-line workforce of at least thirty per cent  
19 local hires;



1           (B) Three per cent of the qualified production costs  
2           incurred by a qualified production that invests  
3           in qualified production infrastructure;

4           (C) Three per cent of the qualified production costs  
5           incurred by a qualified production that features  
6           indigenous content; or

7           (D) Two per cent of the qualified production costs  
8           incurred by a qualified production that conducts  
9           post-production in the State for qualified  
10          productions filmed in the State.

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

15           In the case of a partnership, S corporation, estate, or  
16 trust, the tax credit allowable is for qualified production  
17 costs incurred by the entity for the taxable year. The cost  
18 upon which the tax credit is computed shall be determined at the  
19 entity level. Distribution and share of credit shall be  
20 determined by rule.



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

5        The basis for eligible property for depreciation of  
6        accelerated cost recovery system purposes for state income taxes  
7        shall be reduced by the amount of credit allowable and claimed.

8        For the purposes of this subsection, "above-the-line  
9        workforce" means the employees involved with the production of a  
10       qualified production whose salaries are negotiated before the  
11       commencement of production, including but not limited to actors,  
12       directors, producers, and writers.

13       (b) The credit allowed under this section shall be claimed  
14       against the net income tax liability for the taxable year. For  
15       the purposes of this section, "net income tax liability" means  
16       net income tax liability reduced by all other credits allowed  
17       under this chapter.

18       (c) If the tax credit under this section exceeds the  
19       taxpayer's income tax liability, the excess of credits over  
20       liability shall be refunded to the taxpayer; provided that no  
21       refunds or payment on account of the tax credits allowed by this



1 section shall be made for amounts less than \$1. All claims,  
2 including any amended claims, for tax credits under this section  
3 shall be filed on or before the end of the twelfth month  
4 following the close of the taxable year for which the credit may  
5 be claimed. Failure to comply with any of the foregoing  
6 provision shall constitute a waiver of the right to claim the  
7 credit.

8 (d) To qualify for this tax credit, a production shall:

9 (1) Meet the definition of a qualified production

10 specified in subsection (o);

11 (2) Have qualified production costs totaling at least

12 \$100,000;

13 (3) Provide the State a qualified Hawaii promotion, which

14 shall be at a minimum, a shared-card, end-title screen

15 credit, where applicable;

16 (4) Provide evidence of reasonable efforts to hire local

17 talent and crew;

18 (5) Provide evidence when making any claim for products or

19 services acquired or rendered outside of this State

20 that reasonable efforts were unsuccessful to secure



1           and use comparable products or services within this  
2           State;  
3       (6)   Provide evidence of financial or in-kind contributions  
4           or educational or workforce development efforts, in  
5           partnership with related local industry labor  
6           organizations, educational institutions, or both,  
7           toward the furtherance of the local film and  
8           television and digital media industries;  
9       (7)   Provide evidence of reasonable efforts to comply with  
10          all applicable requirements under title 14, including  
11          tax return filing and payments; and  
12       (8)   Provide complete responses to the department of  
13          taxation's inquiries and document requests, in the  
14          form prescribed by the department, no later than  
15          ninety days from the inquiry or request;  
16   provided that a taxpayer shall be given notice of and an  
17   opportunity to cure any failure to meet the requirements of this  
18   subsection, including chapter 237, within thirty days of receipt  
19   of the notice; provided further that nothing in this subsection  
20   shall be interpreted as waiving any act required by this  
21   section.



1           (e) On or after July 1, 2006, no qualified production cost  
2 that has been financed by investments for which a credit was  
3 claimed by any taxpayer pursuant to section 235-110.9 is  
4 eligible for credits under this section.

5           (f) To receive the tax credit, the taxpayer shall first  
6 prequalify the production for the credit by registering with the  
7 department of business, economic development, and tourism during  
8 the development or preproduction stage.

9           (g) The director of taxation shall prepare forms as may be  
10 necessary to claim a credit under this section. The director  
11 may also require the taxpayer to furnish information to  
12 ascertain the validity of the claim for credit made under this  
13 section and may adopt rules necessary to effectuate the purposes  
14 of this section pursuant to chapter 91.

15           (h) Every taxpayer claiming a tax credit under this  
16 section for a qualified production shall, no later than ninety  
17 days following the end of each taxable year in which qualified  
18 production costs were expended, submit a written, sworn  
19 statement to the department of business, economic development,  
20 and tourism that identifies:



- 1           (1) All qualified production costs as provided by  
2           subsection (a), if any, incurred in the previous  
3           taxable year;  
4           (2) The amount of tax credits claimed pursuant to this  
5           section, if any, in the previous taxable year; and  
6           (3) The number of total hires versus the number of local  
7           hires by category and by county.

8   This information may be reported from the department of  
9   business, economic development, and tourism to the legislature  
10  pursuant to subsection (i)(4).

11           (i) The department of business, economic development, and  
12  tourism shall:

- 13           (1) Maintain records of the names of the taxpayers and  
14           qualified productions thereof claiming the tax credits  
15           under subsection (a);  
16           (2) Obtain and total the aggregate amounts of all  
17           qualified production costs per qualified production  
18           and per qualified production per taxable year;  
19           (3) Provide a letter to the director of taxation  
20           specifying the amount of the tax credit per qualified  
21           production for each taxable year that a tax credit is





1           claimed and the cumulative amount of the tax credit  
2           for all years claimed; and  
3       (4)   Submit a report to the legislature no later than  
4           twenty days prior to the convening of each regular  
5           session detailing the non-aggregated qualified  
6           production costs that form the basis of the tax credit  
7           claims and expenditures, itemized by taxpayer, in a  
8           redacted format to preserve the confidentiality and  
9           that shall include the dollar amount claimed, name of  
10          company, and name of the qualified production of the  
11          taxpayers claiming the credit.

12       (j)   Upon each determination required under subsection (i),  
13   the department of business, economic development, and tourism  
14   shall issue a letter to the taxpayer, regarding the qualified  
15   production, specifying the qualified production costs and the  
16   tax credit amount qualified for in each taxable year a tax  
17   credit is claimed; provided that the department of business,  
18   economic development, and tourism shall issue the letter to the  
19   taxpayer no later than seven months after receipt of the  
20   taxpayer's statement under subsection (h). The taxpayer for  
21   each qualified production shall file the letter with the



1 taxpayer's tax return for the qualified production to the  
2 department of taxation. Notwithstanding the authority of the  
3 department of business, economic development, and tourism under  
4 this section, the director of taxation may audit and adjust the  
5 tax credit amount to conform to the information filed by the  
6 taxpayer.

7 (k) Each taxpayer claiming a tax credit under this section  
8 shall submit to the department of business, economic  
9 development, and tourism a fee for the motion picture, digital  
10 media, and film production income tax credit in an amount equal  
11 to 0.2 per cent of the tax credit claimed by the qualified  
12 production no later than the deadline stated in subsection (c).  
13 The department of business, economic development, and tourism  
14 may prescribe the form and method by which this fee is remitted,  
15 including through electronic means. The fees collected under  
16 this subsection shall be deposited into the Hawaii film and  
17 creative industries development special fund under section 201-  
18 113.

19 (l) Total tax credits claimed per qualified production  
20 shall not exceed \$17,000,000[-]; provided that:



1       (1) The department of business, economic development, and  
2       tourism may waive this cap for one qualified  
3       production each fiscal year; provided further that the  
4       total tax credits claimed by a qualified production in  
5       any fiscal year shall not exceed seventy per cent of  
6       the total amount of tax credits allowed under this  
7       section pursuant to subsection (n);

8       (2) No qualified production shall have the cap waived for  
9       more than two fiscal years; and

10      (3) The department of business, economic development, and  
11      tourism shall submit a report to the legislature no  
12      later than twenty days prior to the convening of each  
13      regular session that provides a justification for the  
14      selection of the qualified production designated for  
15      the waiver and the status of the qualified production.

16      (m) Qualified productions shall comply with subsections  
17      (d), (e), (f), (h), and (k).

18      (n) The total amount of tax credits allowed under this  
19      section in any particular year shall be \$50,000,000; however, if  
20      the total amount of credits applied for in any particular year  
21      exceeds the aggregate amount of credits allowed for that year



1 under this section, the excess shall be treated as having been  
2 applied for in the subsequent year and shall be claimed in the  
3 subsequent year; provided that no excess shall be allowed to be  
4 claimed after December 31, 2032.

5 (o) The Hawaii film office shall submit an annual report  
6 to the legislature no later than twenty days prior to the  
7 convening of each regular session. The annual report shall  
8 include the following information:

9 (1) A list of the qualified productions that received the  
10 tax credit;

11 (2) How funds received from the tax credit were spent in  
12 the State and to what extent local communities,  
13 workers, and businesses benefited;

14 (3) The impact of the tax credit on tax revenue, job  
15 creation, industry development, and tourism; and

16 (4) An analysis of why the tax credit provides greater  
17 long-term value to the State than other tax credits  
18 and alternative uses of state funds.

19 [~~o~~] (p) For the purposes of this section:

20 "Commercial":



- 1           (1) Means an advertising message that is filmed using  
2                film, videotape, or digital media, for dissemination  
3                via television broadcast or theatrical distribution;  
4           (2) Includes a series of advertising messages if all parts  
5                are produced at the same time over the course of six  
6                consecutive weeks; and  
7           (3) Does not include an advertising message with Internet-  
8                only distribution.

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

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



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

9 "Qualified production":

10 (1) Means a production, with expenditures in the State,  
11 for the total or partial production of a feature-  
12 length motion picture, short film, made-for-television  
13 movie, commercial, music video, interactive game,  
14 television series pilot, single season (up to twenty-  
15 two episodes) of a television series regularly filmed  
16 in the State (if the number of episodes per single  
17 season exceeds twenty-two, additional episodes for the  
18 same season shall constitute a separate qualified  
19 production), television special, single television  
20 episode that is not part of a television series  
21 regularly filmed or based in the State, national



1 magazine show, or national talk show. For the  
2 purposes of subsections (d) and (l), each of the  
3 aforementioned qualified production categories shall  
4 constitute separate, individual qualified productions;  
5 and

6 (2) Does not include:

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

17 "Qualified production costs" means the costs incurred by a  
18 qualified production within the State that are subject to the  
19 general excise tax under chapter 237 at the highest rate of tax  
20 or income tax under this chapter if the costs are not subject to  
21 general excise tax and that have not been financed by any



1 investments for which a credit was or will be claimed pursuant  
2 to section 235-110.9. Qualified production costs include but  
3 are not limited to:

4 (1) Costs incurred during preproduction such as location  
5 scouting and related services;

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

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

11 (4) Costs of photography, sound synchronization, lighting,  
12 and related services;

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

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

20 (7) Rentals of vehicles and lodging for cast and crew;





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

3           (9)   Insurance and bonding;

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

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

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

15           SECTION 2. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17           SECTION 3. This Act, upon its approval, shall apply to  
18 taxable years beginning after December 31, 2025; provided that  
19 on January 1, 2033, this Act shall be repealed to coincide with  
20 the repeal date of Act 88, Session Laws of Hawaii 2006, as  
21 amended by Act 89, Session Laws of Hawaii 2013, as amended by



# H.B. NO. 1939

1 Act 143, Session Laws of Hawaii 2017, as amended by Act 217,  
2 Session Laws of Hawaii 2022, and section 235-17, Hawaii Revised  
3 Statutes, shall be reenacted in the form in which it read on the  
4 day before the effective date of Act 88, Session Laws of Hawaii  
5 2006.

6

INTRODUCED BY:



JAN 23 2026



# H.B. NO. 1939

**Report Title:**

Motion Picture, Digital Media, and Film Production Income Tax Credit; Local Workforce Incentive; Qualified Production Infrastructure Incentive; Indigenous Content Incentive; Local Post-Production Incentive; Per Production Cap; Waiver; Hawaii Film Office; Report

**Description:**

Amends the Motion Picture, Digital Media, and Film Production Income Tax Credit by providing additional credits to qualified productions that have a workforce of at least eighty per cent local hires and that either have an above-the-line workforce of at least thirty per cent local hires, invest in qualified production infrastructure, feature indigenous content, or conduct post-production in the State; establishing that the minimum local hires requirement will increase to eighty-two per cent in the third consecutive taxable year that the additional credit is claimed and to eighty-five per cent in the fifth consecutive taxable year; authorizing the Department of Business, Economic Development, and Tourism to waive the credit cap per qualified production for one qualified production each fiscal year; and requiring the Hawaii Film Office to submit an annual report to the Legislature.

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

