

S.B. NO. 3088

JAN 28 2026

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# A BILL FOR AN ACT

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RELATING TO THE MOTION PICTURE, DIGITAL MEDIA, AND FILM PRODUCTION INCOME TAX CREDIT.

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

1 SECTION 1. Section 235-17, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:  
3  
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  
11 (1) [Twenty-two] Twenty-seven per cent of the qualified  
12 production costs incurred by a qualified production in  
13 any county of the State with a population of over  
14 seven hundred thousand; or  
15  
16 (2) [Twenty-seven] Thirty-two per cent of the qualified  
17 production costs incurred by a qualified production in  
18 any county of the State with a population of seven  
19 hundred thousand or less.

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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.

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

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

18 SECTION 2. Section 235-17, Hawaii Revised Statutes, is  
19 amended by amending subsection (h) to read as follows:

20 "(h) Every taxpayer claiming a tax credit under this  
21 section for a qualified production shall, no later than ninety  
22 days following the end of each taxable year in which qualified

1 production costs were expended, submit a written, sworn  
2 statement to the department of business, economic development,  
3 and tourism that identifies:

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

11 This information may be reported from the department of  
12 business, economic development, and tourism to the legislature  
13 pursuant to subsection (i)(4). No later than January 1, 2027,  
14 and each January 1 thereafter, each film production that is  
15 claiming a tax credit pursuant to section 235-17 shall obtain an  
16 independent third-party certification of qualified production  
17 costs eligible for the motion picture, digital media, and film  
18 production income tax credit in the form of a tax opinion, as  
19 required under this subsection, submitted to the department of  
20 business, economic development, and tourism."

21 SECTION 3. Section 235-17, Hawaii Revised Statutes, is  
22 amended by amending subsection (1) to read as follows:

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1        "(1) Total tax credits claimed per qualified production  
2 shall not exceed \$17,000,000 [–]; provided that productions with  
3 qualified expenditures at a minimum of \$60,000,000 shall not be  
4 subject to the per production cap of \$17,000,000."

5        SECTION 4. Section 235-17, Hawaii Revised Statutes, is  
6 amended by amending subsection (n) to read as follows:

7        "(n) The total amount of tax credits allowed under this  
8 section in any particular year shall be [\$50,000,000,]  
9 \$60,000,000; however, if the total amount of credits applied for  
10 in any particular year exceeds the aggregate amount of credits  
11 allowed for that year under this section, the excess shall be  
12 treated as having been applied for in the subsequent year and  
13 shall be claimed in the subsequent year; provided that no excess  
14 shall be allowed to be claimed after December 31, [2032.] 2038."

15       SECTION 5. Section 235-17, Hawaii Revised Statutes, is  
16 amended by amending subsection (o) to read as follows:

17       "(o) For the purposes of this section:

18       "Commercial":

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

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

**6** "Digital media" means production methods and platforms

7 directly related to the creation of cinematic imagery and

**8** content, specifically using digital means, including but not

9 limited to digital cameras, digital sound equipment, and

**10** computers, to be delivered via film, videotape, interactive game

11 platform, or other digital distribution media.

**12** "Post-production" means production activities and services

**13** conducted after principal photography is completed, including

14 but not limited to editing, film and video transfers,

15 . duplication, transcoding, dubbing, subtitling, credits, closed

**16** captioning, audio production, special effects (visual and

17 sound), graphics, and animation.

**18** "Production" means a series of activities that are directly

19 related to the creation of visual and cinematic imagery to be

**20** delivered via film, videotape, or digital media and to be sold,

21 distributed, or displayed as entertainment or the advertisement

22 or products for mass public consumption, including but not

1 limited to scripting, casting, set design and construction,

2 transportation, videography, photography, sound recording,

3 interactive game design, and post-production.

4 "Qualified production":

5 (1) Means a production, with expenditures in the State,

6 for the total or partial production of a feature-

7 length motion picture, short film, made-for-television

8 movie, commercial, music video, interactive game,

9 television (inclusive of broadcast and streaming

10 platforms) series pilot, single season (up to twenty-

11 two episodes[+] for broadcast television and up to

12 eight episodes for an ongoing series for streaming

13 platforms) of a ~~television~~ series ~~regularly~~ filmed

14 in the State ~~[if]~~. If the number of episodes per

15 single season for a broadcast series exceeds twenty-

16 two, and if a streaming series exceeds eight episodes,

17 additional episodes for the same season shall

18 constitute a separate qualified production[+]. A

19 "qualified production" also includes a television or

20 streaming platform special, single ~~television~~

21 episode that is not part of a television or streaming

22 platform series regularly filmed or based in the

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1 State, national magazine show, [ex] and national talk  
2 show. For the purposes of subsections (d) and (l),  
3 each of the aforementioned qualified production  
4 categories shall constitute separate, individual  
5 qualified productions; 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  
22 investments for which a credit was or will be claimed pursuant

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1 to section 235-110.9. Qualified production costs include but  
2 are not limited to:

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

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

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

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

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

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

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

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

22 (9) Insurance and bonding;

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12        "Streaming platform" means an online provider of  
13        entertainment (music, movies, etc.) that delivers the content  
14        via an Internet connection to the subscriber's computer,  
15        television, or mobile device through a paid subscription."

16 SECTION 6. Act 88, Session Laws of Hawaii 2006, as amended  
17 by section 3 of Act 89, Session Laws of Hawaii 2013, as amended  
18 by section 3 of Act 143, Session Laws of Hawaii 2017, as amended  
19 by section 4 of Act 217, Session Laws of Hawaii 2022, is amended  
20 by amending section 4 to read as follows:

21 "SECTION 4. This Act shall take effect on July 1, 2006;  
22 provided that:

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8 SECTION 7. Act 143, Session Laws of Hawaii 2017, is  
9 amended by amending section 6 to read as follows:

10 "SECTION 6. [No later than January 1, 2018, and each  
11 January 1 thereafter, each film production that has production  
12 expenditures of \$1,000,000 or more and is claiming a tax credit  
13 pursuant to section 235-17, Hawaii Revised Statutes, shall  
14 obtain an independent third party certification of qualified  
15 production costs eligible for the motion picture, digital media,  
16 and film production income tax credit in the form of a tax  
17 opinion, as required under section 235-17(h), Hawaii Revised  
18 Statutes, submitted to the department of business, economic  
19 development, and tourism.] Repealed."

20 SECTION 8. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.

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1 SECTION 9. This Act, upon its approval, shall take effect  
2 retroactively on January 1, 2026.

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5

INTRODUCED BY: MUN. M.

6

BY REQUEST

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**Report Title:**

Motion Picture, Digital Media, and Film Production Income Tax Credit; Qualified Production; Department of Business, Economic Development, and Tourism

**Description:**

Increases the qualified production credit from twenty-two per cent to twenty-seven per cent in any county of the State with a population of over seven hundred thousand and twenty-seven per cent to thirty-two per cent in any county of the State with a population of less than seven hundred thousand. Lifts the per production cap of \$17,000,000 for productions with qualified expenditures of \$60,000,000 per project. Increases the annual cap to \$60,000,000 from \$50,000,000 for the total amount of the motion picture, digital media, and film production income tax credit allowed under section 235-17, HRS, and extends the sunset date of the tax credit to January 1, 2038. Clarifies and amends the requirement for an independent third-party certification and expands the definition of "qualified production" to include streaming platforms for the motion picture, digital media, and film production income tax credit. Includes a definition of "streaming platform".

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

# SB. NO. 3088

## JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE MOTION PICTURE, DIGITAL MEDIA, AND FILM PRODUCTION INCOME TAX CREDIT.

PURPOSE: To make the State more competitive in attracting film and television productions by increasing the qualified production credit from twenty-two percent to twenty-seven percent in any county of the State with a population of over seven hundred thousand and increasing the credit from twenty-seven percent to thirty-two percent in any county of the State with a population of seven hundred thousand or less; removing the \$17,000,000 cap for productions with expenditures of at least \$60,000,000 per project; increasing the annual cap from \$50,000,000 to \$60,000,000; clarifying and amending the requirement for an independent third-party certification; extending the sunset date to January 1, 2038; expanding the definition of "qualified production" to include streaming platforms; and including the definition of a "streaming platform".

MEANS: Amend section 235-17(a), (h), (l), (n), and (o), Hawaii Revised Statutes (HRS), and section 4 of Act 217, Session Laws of Hawaii (SLH) 2022, and repeal section 6 of Act 143, SLH 2017.

JUSTIFICATION: Hawaii's film tax credit is currently underutilized, signaling capacity for growth. The Department supports enhancing the credit to remain competitive with other major filming jurisdictions. Governor Green has expressed support for increasing the tax incentive, especially for productions that invest in Hawaii's local workforce, creative artisans, and culture. Also, by investing in a film tax credit, the State's gross domestic product will increase by

\$14,200,000 and earnings will increase by \$16,100,000.

Impact on the public: Since 2023, the creative industry in Hawaii and at large across the nation has experienced an unprecedented downturn. The public benefits by having a sustainable and clean industry.

Impact on the department and other agencies: The Department of Taxation will need to revise their review and approval process for tax credit applicants, including updates to administrative rules. The Department of Budget and Finance will need to consider the fiscal impact of the proposed amendments.

GENERAL FUND: The fiscal impact of the bill will be a loss of \$10,000,000 to the general fund. When there is a credit cap, that is the only determinate of the overall cost. Per the Department's Research & Economic Analysis Division, the value of the current annual cap of \$50,000,000 has fallen by 33 percent since it was established in 2019. Increasing the cap by \$10,000,000 will help preserve some the value of the tax credit in real terms.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: BED 105.

OTHER AFFECTED  
AGENCIES: Department of Taxation, Department of Budget and Finance.

EFFECTIVE DATE: January 1, 2026 (retroactive request).