THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2580 S.D. 1

A BILL FOR AN ACT

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

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

SECTION 1. Section 235-17, Hawaii Revised Statutes, is amended as follows:

1. By amending subsection (a) to read:

"(a) Any law to the contrary notwithstanding, there shall be allowed to each taxpayer subject to the taxes imposed by this chapter, an income tax credit that shall be deductible from the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed. The amount of the credit shall be:

(1) [~~Twenty-two~~] Twenty-seven per cent of the qualified production costs incurred by a qualified production in any county of the State with a population of over seven hundred thousand; or

(2) [~~Twenty-seven~~] Thirty-two per cent of the qualified production costs incurred by a qualified production in

any county of the State with a population of seven hundred thousand or less.

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

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

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

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

2. By amending subsection (h) to read:

"(h) Every taxpayer claiming a tax credit under this section for a qualified production shall, no later than ninety days following the end of each taxable year in which qualified production costs were expended, submit [~~a~~]:

(1) A written, sworn statement to the department of business, economic development, and tourism that identifies:

[~~(1)~~] (A) All qualified production costs as provided by subsection (a), if any, incurred in the previous taxable year;

[~~(2)~~] (B) The amount of tax credits claimed pursuant to this section, if any, in the previous taxable year; and

[~~(3)~~] (C) The number of total hires versus the number of local hires by category and by county[~~.~~]; and

(2) An independent third-party certification issued by a qualified certified public accountant, that verifies the information described in paragraph (1)(A), (B), and (C) and other representations made for the purposes of claiming the credit under this section, using procedures prescribed by the department of

business, economic development, and tourism and the department of taxation.

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

3. By amending subsection (l) to read:

"(l) Total tax credits claimed per qualified production shall not exceed $17,000,000[~~.~~]; provided that this limit shall not apply to any qualified production that incurs at least $60,000,000 of qualified production costs."

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

"(n) The total amount of tax credits allowed under this section in any particular year shall be [~~$50,000,000;~~] $60,000,000; however, if the total amount of credits applied for in any particular year exceeds the aggregate amount of credits allowed for that year under this section, the excess shall be treated as having been applied for in the subsequent year and shall be claimed in the subsequent year; provided that no excess shall be allowed to be claimed after December 31, [~~2032.~~] 2037.

(o) For the purposes of this section:

"Commercial":

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

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

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

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

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

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

"Qualified production":

(1) Means a production, with expenditures in the State, for the total or partial production of a feature-length motion picture, short film, made-for-television movie, commercial, music video, interactive game, broadcast television or streaming platform series pilot, single season (up to twenty-two episodes[~~,~~] for a broadcast television series and up to eight episodes for an ongoing series for streaming platforms) of a [~~television~~] series [~~regularly~~] filmed in the State [~~(if~~]. If the number of episodes per single season exceeds twenty-two[~~,~~] for a broadcast television series or eight for a streaming platform series,

additional episodes for the same season shall constitute a separate qualified production[~~)~~,]. "Qualified production" includes a broadcast television or streaming platform special, single [~~television~~] episode that is not part of a broadcast television or streaming platform series regularly filmed or based in the State, national magazine show, [~~or~~] and 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 subject to general excise tax and that have not been financed by any investments for which a credit was or will be claimed pursuant to section 235-110.9. "Qualified production" costs include but are not limited to:

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

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

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

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

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

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

(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 of taxation 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.

"Streaming platform" means an online provider of entertainment, including but not limited to movies and music, that delivers content via an internet connection to the subscriber's computer, television, or mobile device through a paid subscription."

SECTION 2. Act 88, Session Laws of Hawaii 2006, as amended by section 3 of Act 89, Session Laws of Hawaii 2013, as amended by section 3 of Act 143, Session Laws of Hawaii 2017, as amended by section 4 of Act 217, Session Laws of Hawaii 2022, is amended by amending section 4 to read as follows:

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

(1) Section 2 of this Act shall apply to qualified production costs incurred on or after July 1, 2006, and before January 1, [~~2033;~~] 2038; and

(2) This Act shall be repealed on January 1, [~~2033,~~] 2038, and section 235-17, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day before the effective date of this Act."

SECTION 3. Act 143, Session Laws of Hawaii 2017, is amended by amending section 6 to read as follows:

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

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2050; provided that section 1 shall apply to costs incurred after December 31, 2025.

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Report Title:
DBEDT; Department of Taxation; Motion Picture, Digital Media, and Film Production Income Tax Credit; Qualified Production; Costs; Third-Party Certification

Description:
Increases the Motion Picture, Digital Media, and Film Production Income Tax Credit to 27 per cent of qualified production costs in counties with a population of over seven hundred thousand and 32 per cent in counties with a population of seven hundred thousand or less. Requires each taxpayer claiming the tax credit to submit an independent third-party certification verifying certain information to the Department of Business, Economic Development, and Tourism. Excludes qualified productions that incur at least $60 million of qualified production costs from the per-production total tax credit cap of $17 million. Increases the total amount of tax credits allowed to be claimed annually to $60 million. Defines "streaming platform" and amends the definition of "qualified production" to include certain streaming productions. Extends the sunset date of the tax credit to 1/1/2038. Effective 7/1/2050. (SD1)

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