

Honolulu, Hawaii

FEB 18 , 2026

RE: H.B. No. 1939
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Economic Development & Technology, to which was referred H.B. No. 1939 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to amend the Motion Picture, Digital Media, and Film Production Income Tax Credit by:

- (1) Providing additional credits to qualified productions that have a workforce of at least eighty percent local hires and meet other specific requirements;
- (2) Increase the local workforce threshold to eighty-two percent in the third consecutive taxable year and eighty-five percent in the fifth consecutive taxable year that the additional credit is claimed;
- (3) Authorizing the Department of Business, Economic Development, and Tourism to waive the per-production credit cap for one qualified production per fiscal year, subject to limitations and reporting; and
- (4) Requiring the Hawaii Film Office to submit annual reports to the Legislature on program outcomes.



Your Committee received testimony in support of this measure from SAG-AFTRA Hawai'i Local; 'Ohina Labs; Pride at Work - Hawai'i; Hawai'i Film Alliance; Tyler Young Films, LLC; Local IATSE 665; Hawaii Medica Inc.; and numerous individuals. Your Committee received comments on this measure from the Department of the Attorney General; Department of Taxation; Department of Business, Economic Development, and Tourism; Tax Foundation of Hawaii; and one individual.

Your Committee finds that Hawaii's film industry is a vital sector of the economy and that the Motion Picture, Digital Media, and Film Production Income Tax Credit (film tax credit) is a key financing mechanism that supports film productions in the State. Your Committee further finds that the film tax credit should be structured in a way that supports local hiring, encourages development of film infrastructure in the State, promotes indigenous storytelling, and helps keep post-production activity in the State. This measure seeks to amend the film tax credit by providing additional credit amounts to productions that align with these initiatives and ensuring that qualified production costs reported by film productions are accurate and third-party certified.

Your Committee notes the concerns raised in testimony by the Department of the Attorney General regarding the provisions of this measure that provide tax credits to productions based on the percentage of local hires and the possibility of constitutional challenges pursuant to the Commerce Clause. Your Committee further finds, however, that the Department of the Attorney General has not provided a justification for why these provisions may violate the Commerce Clause. Therefore, your Committee has retained these provisions.

Your Committee has amended this measure by:

- (1) Requiring the Hawaii Film Office, in collaboration with the Department of Taxation, to establish policies to determine standards and minimum qualifications for productions claiming additional credit amounts for investment in qualified production infrastructure or featuring indigenous content;
- (2) Requiring independent third-party certification of qualified production costs for all film productions



claiming the Motion Picture, Digital Media, and Film Production Income Tax Credit, rather than only those with production expenditures of \$1,000,000 or more;

- (3) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1939, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1939, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Technology,



GREGGOR ILAGAN, Chair



