

STAND. COM. REP. NO.

3148

Honolulu, Hawaii

MAR 24 2026

RE: H.B. No. 2590
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Economic Development and Tourism, to which was referred H.B. No. 2590, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to, beginning January 1, 2027, and for taxable years beginning after December 31, 2026:

- (1) Impose the manufacturing general excise tax rate on motion picture, digital media, and film productions and repeal the provision in the definition of "qualified production costs" that applied the term to mean costs incurred that are subject to the highest general excise tax rate;
- (2) Exempt from the general excise tax certain amounts received by a motion picture project employer from a client company 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; and



- (3) Require persons making payment to a loan-out company and claiming the Motion Picture, Digital Media, and Film Production Income Tax Credit to deduct and withhold an amount exceeding the amount actually due for all payments made to the loan-out company for services performed in the State.

Your Committee received testimony in support of this measure from the Creative Industries Division of the Department of Business, Economic Development, and Tourism; IATSE Local 665; Motion Picture Association; Hawai'i Film Alliance; Kapolei Chamber of Commerce; Maui Chamber of Commerce; SAG-AFTRA Hawai'i Local; and five individuals.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that structural disadvantages faced by productions operating in the State, including high general excise tax costs and redundant taxation of pass-through reimbursements, disincentivize productions from choosing to locate in the State amidst an increasingly competitive global production market. Implementing standard industry payroll practices and other measures to improve predictability and reduce barriers will enhance the industry's competitiveness, attract sustained production investment, and support a stable local workforce. This measure therefore improves the overall effectiveness of the Motion Picture, Digital Media, and Film Production Income Tax Credit.

Your Committee has amended this measure by:

- (1) Inserting an effective date of July 1, 3050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.


Your Committee notes the concerns expressed by the Department of Taxation that requiring persons making payments to a loan-out company and claiming the Motion Picture, Digital Media, and Film Production Income Tax Credit to deduct and withhold an amount exceeding the amount actually due for all payments made to the loan-out company for services performed in the State will result



in additional burdens on taxpayers and the Department to process refund requests. Your Committee finds that this concern raises issues that merit further consideration and respectfully requests that your Committee on Ways and Means, should it choose to deliberate on this measure, consider this issue as it relates to the measure's fiscal implications.

As affirmed by the record of votes of the members of your Committee on Economic Development and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2590, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2590, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Tourism,


LYNN DECOITE, Chair



