

Honolulu, Hawaii

FEB 12 2026

RE: S.B. No. 2796
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 S.B. No. 2796 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (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; and
- (2) Exempt from the general excise tax 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.

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



Commerce; SAG-AFTRA Hawaii Local; Our Neuro Network; ALA Hawai'i; 'Ohina Labs; Sight & Sound Productions; Bliss Models & Talent; Premier Models & Talent; Tyler Young Films, LLC; Hyperspective Studios, Inc.; Niche Models and Talent; K. Simmons Media Group Inc.; Island Film Group; Hawaii Teamsters Local 996; and numerous individuals.

Your Committee received testimony in opposition to this measure from one individual.

Your Committee received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; and Tax Foundation of Hawaii.

Your Committee finds that the film and digital media sector serves as an important component of the State's economic diversification strategy, functioning as an export sector that brings outside investment into the State, supports local businesses, and provides diverse employment opportunities. Your Committee further finds, however, that the current structural tax treatment of the film and digital media sector does not align with industry norms, raising costs and harming the competitiveness of the local market. For example, subjecting payroll funds remitted to payroll services by productions to the general excise tax creates an unnecessary tax burden and substantially raises production costs. By aligning the industry more closely with a manufacturing-style tax classification this measure improves cost predictability and competitiveness for productions evaluating the State relative to other jurisdictions.

Your Committee has amended this measure by:

- (1) Specifying that the exemption from the general excise tax for 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:
 - (A) Shall only apply to amounts that are separately stated and documented as reimbursements for actual wages, payroll taxes, insurance premiums, and



benefits paid to motion picture project workers or loan-out companies; and

- (B) Shall not apply to other amounts, including service fees, administrative fees, or markups;
- (2) Inserting an effective date of January 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 S.B. No. 2796, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2796, 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



