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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1941, Relating to Taxation

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Friday, February 6, 2026

TIME: 8:30 a.m.

LOCATION: State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1941 for your consideration.

H.B. 1941 amends section 235-17, Hawaii Revised Statutes (HRS), regarding the motion picture, digital media, and film production income tax credit, by adding a new provision that requires, for a production to qualify for the credit, that the production complete at least fifteen per cent of the production's principal photography and the production's post production in Hawai'i, within the same taxable year the production qualifies for the credit. This new provision is in addition to the existing qualifiers listed in this section.

Section 3 of the bill provides that the measure is effective upon approval and shall apply to taxable years beginning after December 31, 2026. The measure will be repealed on January 1, 2033, to coincide with the repeal date of Act 88, Session Laws of Hawaii (SLH) 2006, and its amendments. Section 235-17, HRS, will then be reenacted in the form in which each read on the day before the effective date of Act 88, SLH 2006.

DOTAX recommends that the effective date of the bill be amended to apply to costs incurred after December 31, 2026.

Thank you for the opportunity to provide comments on this measure.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKAI

JOSH GREEN, M.D.
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Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY
February 6, 2026
8:30 AM
State Capitol, Conference Room 423

In consideration of
HB1941
RELATING TO FILMING

Chair Ilagan, Vice Chair Hussey, and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB1941, which would require productions to complete at least fifteen per cent of both principal photography and post-production in Hawai'i within the same taxable year to qualify for the film tax credit.

DBEDT supports the policy direction reflected in this measure. As Hawai'i works to evolve from a filming location to a full production ecosystem, increasing in-state production tenure, including post-production, is aligned with the State's long-term creative industry strategy.

DBEDT notes that a significant portion of productions currently conduct principal photography only in Hawai'i. This reflects historical industry structure rather than a lack of interest in post-production. As the State continues building capacity, this measure appropriately signals a shift toward deeper in-state participation.

In 2023, 67% of productions conducted only principal photography in Hawai'i, 33% conducted both post-production and principal photography, and 0% conducted only post-production. In 2024, 70% conducted only principal photography, 19% conducted both, and 11% conducted only post-production. DBEDT is concerned that the proposed requirement could disqualify a significant share of productions that currently create local jobs and economic activity.

While similar requirements may be workable in larger markets such as California, Hawai'i's economic landscape, industry scale, and workforce capacity are fundamentally different. Rigid eligibility thresholds may reduce Hawai'i's competitiveness and hinder workforce development. The film production credit represents a public investment. Aligning that investment with increased in-state production activity, including post-production, strengthens the economic return to Hawai'i through workforce development, higher-wage creative jobs, and expanded industry infrastructure.

At the same time, if productions are expected to perform a greater share of their production activity in Hawai'i, DBEDT recommends that the Legislature consider adjustments to the Motion Picture, Digital Media, and Film Production Tax Credit structure to support that objective. Hawai'i's credit cap and per-production limits have not kept pace with rising production costs and competitive incentives offered by other jurisdictions.

Increasing the annual credit cap and per-production limit would provide productions the financial flexibility needed to relocate additional post-production functions to Hawai'i, making the requirements of this bill more achievable while strengthening the State's industry base. Greater in-state production tenure supports the development of post-production facilities, digital media studios, and technical workforce pipelines, key elements of the Film Hawai'i strategy and the State's broader creative industry economic diversification goals.

DBEDT supports the direction of this measure and looks forward to working with the Legislature and industry partners to ensure that policy expectations, workforce development, infrastructure capacity, and incentive structures remain aligned to grow Hawai'i's film and digital media sector sustainably.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Require Additional In-State Work to Qualify for Motion Picture, Digital Media, and Film Production Income Tax Credit

BILL NUMBER: HB 1941, SB 2582

INTRODUCED BY: HB by TAM, AMATO, EVSLIN, ILAGAN, KEOHOKAPU-LEE LOY, KILA, LEE, M., MARTEN, PERRUSO, TEMPLO; SB by DECOITE, Wakai

EXECUTIVE SUMMARY: Amends the requirements for productions to qualify for the Motion Picture, Digital Media, and Film Production Income Tax to include completing at least fifteen per cent of the production's principal photography and post-production in the State within the same taxable year the production is qualifying for the Tax Credit.

SYNOPSIS: Amends sec 235-17(d), HRS, to add a requirement that the production must complete at least fifteen per cent of the production's principal photography and the production's post production in the State within the same taxable year the production is qualifying for the tax credit.

EFFECTIVE DATE: Taxable years beginning after December 31, 2026.

STAFF COMMENTS: This bill appears to be intended to restrict the availability of the tax credit. It may unwittingly disqualify larger productions in which post-production needs to happen in a different year from shooting footage in Hawaii.

Perhaps appropriate industry representatives would be able to help justify or refute application of this added requirement.

Digested: 2/4/2026

HB-1941

Submitted on: 2/6/2026 1:07:46 AM

Testimony for ECD on 2/6/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Angela Young	CARES	Support	Remotely Via Zoom

Comments:

Support

HB-1941

Submitted on: 2/4/2026 12:33:24 PM

Testimony for ECD on 2/6/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Genaro Hale Gualdarama	Individual	Support	Written Testimony Only

Comments:

Insupport of bill HB1941.

HB-1941

Submitted on: 2/4/2026 1:13:47 PM

Testimony for ECD on 2/6/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

SUPPORT

HB-1941

Submitted on: 2/5/2026 8:10:45 AM

Testimony for ECD on 2/6/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Eric Uyeda	Individual	Support	Written Testimony Only

Comments:

TESTIMONY IN SUPPORT OF THIS BILL, WITH AMENDMENTS

Relating to Motion Picture, Digital Media, and Film Production Income Tax Credit Qualifications

Chair, Vice Chair, and Members of the Committee:

I submit this testimony in support of this measure, with amendments.

The intent to ensure meaningful in-state activity in order to qualify for Hawai‘i’s film tax credit is understandable. However, as drafted, this bill introduces structural and timing requirements that conflict with how productions are actually financed, scheduled, and completed, particularly for episodic, streaming, and post-production-heavy projects.

Without amendment, this bill risks disqualifying otherwise high-value productions and reducing Hawai‘i’s competitiveness without improving return on investment.

KEY CONCERNS & RECOMMENDED AMENDMENTS

1. Same-Year Principal Photography and Post-Production Requirement Is Unrealistic

The bill requires productions to complete at least fifteen percent of both principal photography and post-production in Hawai‘i within the same taxable year.

Problem:

- Production schedules frequently span multiple tax years
- Post-production often begins months after principal photography
- Streaming, episodic, and visual-effects-heavy projects are especially affected
- The requirement incentivizes rushed or artificial scheduling decisions rather than real economic activity

Amendment Recommendation:

Allow the fifteen percent thresholds to be met across the life of the production, not within a single taxable year

Alternatively, permit principal photography and post-production to qualify in different taxable years, provided both occur substantially in Hawai'i

2. One-Size-Fits-All Threshold Penalizes Certain Production Types

Applying the same timing requirement to all productions ignores meaningful differences between:

- Feature films
- Episodic television
- Streaming series
- Post-production-driven projects

Problem:

- Some productions generate significant local spend through crew, vendors, lodging, and rentals but complete post-production later or elsewhere
- The bill risks excluding projects that still deliver strong local economic benefits

Amendment Recommendation:

Allow alternative compliance pathways based on:

- Total qualified production costs in Hawai'i, or
- Local payroll and vendor spend rather than rigid percentage timing rules

3. Increased Compliance Burden Without Increased ROI

The bill adds another qualification test without demonstrating how it improves:

- Local hiring
- Local vendor usage
- Workforce development
- Net fiscal return to the State

Problem:

- More conditions do not necessarily produce better outcomes
- Additional disqualification risk makes Hawai'i harder to underwrite compared to competing jurisdictions

Amendment Recommendation:

Tie eligibility more directly to measurable economic impact, such as:

- Local payroll minimums
- Verified in-state spend thresholds rather than production phase timing

4. Risk of Incentivizing Inefficient or Artificial Spending

To satisfy the same-year requirement, productions may:

- Shift work inefficiently
- Front-load or back-load spending unnaturally
- Make creative or operational decisions driven by tax timing instead of project quality

Problem:

This does not increase genuine economic value — it increases administrative maneuvering.

Amendment Recommendation:

Focus eligibility on total verified in-state activity, regardless of calendar timing

BIGGER PICTURE: PREDICTABILITY MATTERS

Film and television incentives succeed when they are:

- Predictable
- Financeable
- Aligned with real production workflows

When eligibility depends on calendar alignment rather than economic substance, productions choose other jurisdictions.

CONCLUSION

This bill raises a valid concern about ensuring meaningful in-state production activity.

However, without amendments, it risks excluding valuable projects, distorting production schedules, and reducing Hawai'i's competitiveness — all without increasing return on investment.

I respectfully urge the committee to pass this bill with amendments that:

- Allow production activity to qualify across multiple taxable years
- Recognize differences among production types
- Prioritize measurable local economic impact over timing mechanics

Hawai'i's incentive should reward real work done here, not calendar gymnastics.

Mahalo for the opportunity to testify.

HB-1941

Submitted on: 2/5/2026 9:06:11 AM

Testimony for ECD on 2/6/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Patrick Ah Loy	IATSE 665	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and members of the committee. My name is Patrick Ah Loy, I've worked in the industry for 17 years. I stand on my written testimony in support of HB1941 Thank you for the opportunity to testify"

HB-1941

Submitted on: 2/5/2026 2:10:22 PM

Testimony for ECD on 2/6/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nancy D Moser	Individual	Support	Written Testimony Only

Comments:

In support