



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

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR

JAMES KUNANE TOKIOKA  
DIRECTOR

DANE K. WICKER  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [dbedt.hawaii.gov](http://dbedt.hawaii.gov)

Telephone: (808) 586-2355  
Fax: (808) 586-2377

Statement of  
**JAMES KUNANE TOKIOKA**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY**

February 6, 2026  
8:30 AM  
State Capitol, Conference Room 423

In consideration of  
**HB2568**  
**RELATING TO THE FILM INDUSTRY**

Chair Ilagan, Vice Chair Hussey, and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) appreciates the intent of this measure and the Legislature's continued recognition that Hawai'i's film and creative industries are evolving and diversifying. DBEDT supports efforts to ensure the State remains competitive across emerging formats, including vertical filming, and recognizes the importance of investing in workforce development, training, and access to production resources.

DBEDT also acknowledges the value of identifying dedicated funding mechanisms to support industry growth. The proposed uses of the Hawaii Film and Creative Industries Development Special Fund outlined in this bill, such as training, equipment access, and grant support, align with the Department's broader goal of strengthening local capacity and expanding career pathways within the creative economy.

At the same time, DBEDT respectfully offers comments on the structure of the proposed funding approach. The increase in the filing fee from 0.2 percent to 1.0 percent represents a significant adjustment for productions claiming the motion picture, digital media, and film production income tax credit. Because the fee is calculated as a percentage of the credit claimed, this increase may have a disproportionate impact on larger productions at a time when production costs are already rising and competition among jurisdictions remains strong.

Additionally, as Hawai'i's film industry continues to expand and diversify across multiple production types and budget levels, the Department notes that existing program resources are already supporting a broad range of needs, from entry-level and independent productions to workforce training and facility operations. The requirement that eighty percent of fee revenues be directed exclusively to vertical filming may reduce flexibility within the special fund to respond to evolving industry demands and to continue supporting smaller productions that play a critical role in developing local talent and bridging pathways into larger projects.

DBEDT respectfully encourages consideration of approaches that balance the desire to support emerging formats with the need to maintain a flexible, inclusive funding structure that can scale alongside the industry as a whole. This may include a more modest fee adjustment or greater discretion in allocating resources across the full creative industries ecosystem.

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

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Increase Production Credit Fee to Support Vertical Filming

BILL NUMBER: HB 2568

INTRODUCED BY: HOLT, ALCOS, KAHALOA, KEOHOKAPU-LEE LOY, KILA, PIERICK, POEPOE, SHIMIZU, TAM, Amato, Reyes Oda

EXECUTIVE SUMMARY: Increases the fee amount collected from taxpayers claiming the Motion Picture, Digital Media, and Film Production Income Tax Credit and requires a portion of funds collected from the fee to be used to support the vertical film industry in the State.

SYNOPSIS: Amends section 235-17(k), HRS, to raise the fee that motion pictures and other productions applying for the production credit pay to DBEDT from 0.2% of the credit claimed to 1% of the credit claimed.

Amends section 201-113, HRS, to provide that the Hawaii film and creative industries special fund, which receives deposits of such fees, shall designate 80% of the fees collected to support the vertical film industry in Hawaii.

Defines “vertical film” as video content shot and presented in a portrait orientation with an image that is taller than it is wide, typically intended to be viewed on a smartphone screen.

EFFECTIVE DATE: Taxable years beginning after December 31, 2026; repeals on January 1, 2033.

STAFF COMMENTS: This measure proposes to hoist, in dramatic fashion, the user fee now charged by DBEDT. It should be kept in mind that the user fee, which is a certain percentage of the anticipated tax credit, is charged at the time of application. The actual credit might be paid to the production company much later, especially if the production is selected for audit by DOTAX. A dramatic change in the user fee can have a significant impact on the production company’s cash flow.

And why are all productions being made to subsidize the production of vertical film? The bill’s preamble recites that vertical filming has recently become popular and that capitalizing on the growing popularity of vertical filming could help ensure that Hawaii’s film industry remains competitive and at the forefront of emerging trends. Oh? We wonder if that is a good justification for treating that part of the media production industry differently. Usually tax subsidies are given to a part of an industry that is not popular and not making money, so that it would grow, not to a part of industry that is already popular and growing.

Digested: 2/4/2026

**HB-2568**

Submitted on: 2/6/2026 1:09:23 AM

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Angela Young	CARES	Support	Remotely Via Zoom

Comments:

Support

**HB-2568**

Submitted on: 2/3/2026 11:06:34 PM

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Gabriel Tom	Individual	Oppose	Written Testimony Only

Comments:

Chair Ilagan and Members of the Committee, thank you for looking to create innovative ways to expand the film and media industry. While the vertical film market is a growing platform, there are a few flaws in its execution. First, while unions are working to write up union contracts to support the vertical market, they are based off the micro-budget or lowest tier of union contracts. This means that ultimately, by the time a shooting day is wrapped, the crew is making less than minimum wage per hour, which is not even one-third of what they make per hour on a network television show or feature film. The second issue is crewing, these productions run small, employing few crew members and actors, as well as purchasing prosumer equipment at a one time expense. This means that verticals not only do not employ as many people as a network show could, they do not support local rental houses like Sight & Sound or Hawai'i Media Inc. Third, there is no backend money returning to the State GDP, tax revenue, or contributing to indirect spend like larger productions do. Fourth, this fund does not translate into a workforce development pipeline. As of the writing of this testimony, there are no vertical films on record that have been picked up by a streaming platform or network to be turned into a regular series. The film industry will not receive these creatives and be able to train them up, they will remain their own independent industry. When looking at how to spend this money, the argument could be made that it is better to channel this money into the UH Cinematic Programs to fund senior capstone projects similar to USC or UCLA that can then be submitted into film festivals showcasing Hawai'i and our university talent. Finally, the goal of these bills is to help get the most people back to work in the film industry as possible, levying a greater tax to fund a completely separate industry will not entice studios to come here. Thank you.

**HB-2568**

Submitted on: 2/4/2026 12:34:52 PM

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Genaro Hale Gualdarama	Individual	Support	Written Testimony Only

Comments:

in support of bill HB2568.

**HB-2568**

Submitted on: 2/5/2026 8:19:09 AM

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Eric Uyeda	Individual	Support	Written Testimony Only

Comments:

TESTIMONY IN SUPPORT OF THIS BILL, WITH AMENDMENTS

Relating to the Film Industry; Vertical Filming; Special Fund Fees

Chair, Vice Chair, and Members of the Committee:

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

Encouraging innovation and emerging formats such as vertical filming is a reasonable policy goal, and supporting workforce development and access for local creators is important.

However, as drafted, this bill increases costs on all productions while earmarking the majority of funds for a narrow content format, creating competitive, equity, and return-on-investment concerns that could weaken Hawai‘i’s broader film ecosystem.

KEY CONCERNS & RECOMMENDED AMENDMENTS

1. Increasing the Fee on All Productions Reduces Hawai‘i’s Competitiveness

The bill increases the tax credit processing fee from 0.2% to 1% of the credit claimed, a five-fold increase.

Problem:

- This is effectively a new tax on production
- Hawai‘i already competes with jurisdictions that offer:
  - Higher base incentives
  - Faster payments
  - Lower transaction costs
- Raising fees reduces net incentive value without increasing certainty or ROI

Amendment Recommendation:

Reduce the increase or phase it in gradually

Alternatively, cap the total fee per production to avoid penalizing large, high-spend projects

## 2. Mandatory 80% Earmark for Vertical Film Is Too Narrow

The bill requires eighty percent of the collected fees to be used to support the vertical film industry.

Problem:

- Vertical content typically involves:
  - Smaller crews
  - Shorter schedules
  - Lower in-state spend
- Redirecting most funds away from traditional film and television risks:
  - Undermining the workforce and vendor base that sustains the industry year-round
  - Reducing support for projects with higher economic multipliers

Amendment Recommendation:

Replace the fixed 80% allocation with a flexible or capped percentage

Allow funds to support vertical filming as one eligible category, not the dominant use

## 3. Fee Payers Do Not Necessarily Benefit

The increased fee is paid by productions claiming the tax credit — many of which will not participate in or benefit from vertical filming programs.

Problem:

- Creates a mismatch between who pays and who benefits
- Risks discouraging productions that provide:
  - Union jobs
  - Vendor contracts
  - Long-term infrastructure investment

Amendment Recommendation:

Align fee usage more closely with fee payers by allowing funds to support:

- Workforce training across all production formats
- Equipment access shared by traditional and emerging media

- Infrastructure with broad industry utility

#### 4. No Guardrails on Program Effectiveness or ROI

The bill directs funding toward vertical filming without requiring:

- Performance metrics
- Economic impact reporting
- Sunset evaluation specific to the earmark

Problem:

- Public funds should be tied to measurable outcomes
- Without reporting, there is no way to assess whether the allocation improves jobs, skills, or revenue

Amendment Recommendation:

Require annual reporting on:

- Jobs created
- Local hires
- In-state spend
- Transition pathways from vertical content into higher-budget productions

#### 5. Risk of Fragmenting the Industry Instead of Growing It

Hawai‘i’s film industry is strongest when:

- New creators can enter
- Mid-scale projects can grow
- Large productions anchor the ecosystem

Problem:

Over-prioritizing one format reminds productions that Hawai‘i is becoming policy-driven instead of production-driven.

Amendment Recommendation:

Position vertical filming as a pipeline and on-ramp, not a preferred or dominant funding destination

**BIGGER PICTURE: GROW THE PIE, DON'T REDISTRIBUTE IT**

Supporting emerging formats should:

- Expand opportunity
- Build transferable skills
- Strengthen the entire production ecosystem

It should not come at the expense of the productions that currently fund jobs, vendors, and infrastructure statewide.

## CONCLUSION

This bill identifies a real trend and a real opportunity.

However, without amendments, it risks increasing costs, narrowing funding flexibility, and weakening Hawai‘i’s overall film competitiveness.

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

- Moderate or cap the fee increase
- Remove or reduce the fixed 80% earmark
- Tie spending to measurable outcomes
- Ensure emerging formats strengthen — not fragment — the industry

Innovation should build on Hawai‘i’s foundation, not tax it to fund a single lane.

Mahalo for the opportunity to testify.

**HB-2568**

Submitted on: 2/5/2026 9:09:37 AM

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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 HB2568 Thank you for the opportunity to testify"*