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STATE OF HAWAII
DEPARTMENT OF TAXATION

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GARY S. SUGANUMA
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DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2590, H.D.1, Relating to Taxation

BEFORE THE:

House Committee on Finance

DATE: Monday, March 2, 2026
TIME: 2:00 p.m.
LOCATION: State Capitol, Room 308

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 2590, H.D.1, for your consideration.

Section 1 of H.B. 2590, H.D.1, amends section 235-17(o), Hawaii Revised Statutes (HRS), of the motion picture, digital media, and film production income tax credit (the "Film Credit") by redefining "[q]ualified production costs" as costs incurred by a qualified production within the State that are subject to the general excise tax (GET) or income tax. Under current law, qualified production costs must be subject to GET "at the highest rate of tax" or subject to income tax "if the costs are not subject to general excise tax."

Section 2 of the bill amends section 237-13(1)(A), HRS, by imposing the 0.5 percent manufacturing GET rate on a "production as defined in section 235-17."

Section 3 of the bill amends section 237-24.75, HRS, by adding a new GET exemption for amounts received by a motion picture employer from a client company that equal to amounts paid by the motion picture employer for employee wages, salaries,

payroll taxes, insurance premiums, and benefits including retirement, vacation, sick leave, health benefits, and similar employment benefits for motion picture project workers, and payments made to loan-out companies.

“Motion picture project employer” and “motion picture project worker” are defined as having the same meanings as in section 3512 of the Internal Revenue Code of 1986, as amended.

Section 4 of the bill amends section 237-30.7, HRS, which requires persons making payments to a loan-out company to withhold tax at the highest rate plus any applicable county surcharge, by adding a proviso that the amount withheld “shall exceed the amount actually due.”

The bill has a defective effective date of July 1, 3000, with the section 1 applying to taxable years beginning after December 31, 2026, and sections 2 and 3 taking effect on January 1, 2027.

DOTAX recommends that section 4 of the bill be amended to require that the withholding be calculated based on 0.5 percent manufacturing rate, as provided in section 1 of the bill. Otherwise, the withholding on loan-out companies will exceed the amount actually due. Specifically, DOTAX recommends that subsection (a) be amended to read:

(a) Every person making payment to a loan-out company and claiming a tax credit pursuant to section 235-17 shall deduct and withhold one-half of one per cent for all payments made to the loan-out company for services performed in the State. The amounts withheld shall be remitted pursuant to subsection (b). The amounts withheld under this section shall be deemed to be a general excise tax withholding for the benefit of the loan-out company performing the service.

DOTAX further recommends that the effective date for section 1 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'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

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Statement of
GEORJA SKINNER
Administrator, Creative Industries
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

March 2, 2026
2:00PM
State Capitol, Conference Room 308

In consideration of
HB2590 HD1
RELATING TO TAXATION

Chair Todd, Vice Chair Takenouchi, and members of the Committee. Creative Industries (CID), in the Department of Business, Economic Development, and Tourism (DBEDT) supports HB 2590 HD1, which imposes the manufacturing general excise tax rate on motion picture, digital media, and film productions; repeals the provision in the definition of “qualified production costs” that applied the term to costs subject to the highest general excise tax rate; and exempts from the general excise tax amounts received by a motion picture project employer from a client company that are disbursed for employee wages, salaries, payroll taxes, insurance premiums, employment benefits, and payments to loan-out companies.

When the majority of film and television series production left the state in summer 2024, the additional impact from the GET cost on motion picture project employers became a dis-incentive for attracting productions to the state. This included a major feature film pulling up stakes and moving the production elsewhere.

HB2590 HD1 seeks to exclude payroll pass-through reimbursements from taxable income, removes structural disadvantages faced by productions operating in Hawai'i and improves the State's competitiveness as a production destination. We note that while this provision was not included in DBEDT's administrations measures, the department supports the clarification.

Aligning Hawai'i's tax treatment with standard industry payroll practices reduces administrative friction, compliance risk, and cost uncertainty for productions. By improving predictability and reducing barriers, HB 2590 HD1 strengthens the overall effectiveness of Hawai'i's film tax credit program and complements DBEDT's broader policy objectives to enhance industry competitiveness, attract sustained production investment, and support a stable local workforce.

Such improvements directly support workforce stability, enhance production planning certainty, and reinforce Hawai'i's position as a viable long-term production location. CID will defer to the Department of Taxation regarding the fiscal impact of the proposed tax changes, revenue implications and any technical administration considerations.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, Restores Manufacturing Rate for Media Production Companies and Exempts Payroll Reimbursement from MPPSC Entities

BILL NUMBER: HB 2590 HD1

INTRODUCED BY: ECD

EXECUTIVE SUMMARY: Imposes the manufacturing general excise tax rate on motion picture, digital media, and film productions and repeals 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. Exempts 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. Requires persons making payment to a loan-out company and claiming the Motion Picture, Digital Media, and Film Production 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. Applies to taxable years beginning after 12/31/2026. Effective 7/1/3000. (HD1)

SYNOPSIS: Amends section 235-17, HRS, to delete the requirement that qualified production costs be subject to the highest rate of general excise tax.

Amends section 237-13(1), HRS, to include within the manufacturing rate production as defined in section 235-17.

Amends section 237-24.75, HRS, by adding a new paragraph (4) that exempts 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 benefits, including retirement, vacation, sick leave, health benefits, and similar employment benefits with respect to motion picture project workers at a client company and for payments to loan-out companies; provided that this exemption shall apply only 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 shall not apply to other amounts, including service fees, administrative fees, or markups. The terms "motion picture project employer", "client", and "motion picture project worker" shall have the same meaning as in section 3512 of the Internal Revenue Code of 1986, as amended.

EFFECTIVE DATE: January 1, 3000; income tax provisions effective for taxable years beginning after December 31, 2026.

STAFF COMMENTS: The proposed amendments restore key elements of the general excise tax treatment of media production as they existed prior to 2021.

Production tax treatment has been the subject of many flip-flops in position:

- 2007-08: Proposed Administrative Rules
 - DOTAX publishes comprehensive proposed Administrative Rules that categorize motion picture production as manufacturing.
- 2019: Flip-Flop #1
 - Upending 10-year reliance on published guidance, DOTAX secretly revokes 2007-08 and other guidance (explained later in 2021) and starts enforcing changed position.
- 2020-21: Flip-Flop #2
 - DOTAX audits EP, one of the motion picture payroll companies. Asserts 9-figure GET deficiency because of payroll issue.
- 2022: Act 217, SLH 2022
 - Tax credit amended to disallow production expenses subject to GET at 0.5%.

With regard to the proposed exemption for motion picture project employers:

The legislature enacted exemptions specific to several discrete industries. Act 175, SLH 1988 (section 237-23.5b), HRS), provides that the GET does not apply to common paymasters reimbursed by related corporations that actually employ the workers paid. Act 351, SLH 1989 (section 237-24.7(1), HRS), provides that the GET does not apply to amounts received for employee wages, salaries, payroll taxes, insurance premiums, and benefits, including retirement, vacation, sick pay, and health benefits, by a hotel operator. Act 252, SLH 1992 (section 237-24.7(4), HRS), provides that the GET does not apply to similar amounts received by an orchard operator. Act 214, SLH 1998 (section 237-24.7(8), HRS), provides that the GET does not apply to similar amounts received by a management company from related entities selling telecommunications services.

In addition, per section 237-24.75(3), HRS, the GET does not apply to similar amounts received by a professional employer organization (PEO) registered with DLIR.

Tax Information Release 2024-04 states that the GET applies to ALL amounts that a production payroll service company receives from a film production company. Here is an example of how that affects productions, taken from a release from one such production service company:

This change means that our clients with Hawaii production activity will see an appreciable increase in XXX's GET charge on Hawaii-related payroll invoices issued on or after the XXXXX, 2024 cutover date. As an example, a Hawaii production's \$1 million total gross payroll invoices with a \$20,000 net payroll handling fee would include a \$45,000 GET charge (4.5% x \$1M gross) after the XXXXXX, 2024 cutover instead of a \$900 GET charge (4.5% x \$20,000 net) under existing practice.

We have previously seen instances of DOTAX flip-flopping on the film industry, as noted in the list above and in the article reprinted below. All taxpayers, not just this industry, should be entitled to reasonable certainty in tax treatment, justifying the changes proposed.

More Taxes for Movies and TV

by [Tom Yamachika](#) | posted in: [Weekly Commentary](#) | March 1, 2021

We have been railing for some weeks now about the goings-on at our Legislature. This week we spotlight the Department of Taxation.

On February 16th, the Department published a [Tax Information Release](#), a public statement of interpretation of the law, relating to the TV and movie production industry. To understand that release, we need to go into a little background first.

When we see Hawaii's General Excise Tax or GET, it is usually on a sales receipt and the tax shown is 4.712% or 4.166%, depending on the island you are on. That rate is driven by what we call the retail tax rate, which is applied to sales from a seller to an end user.

The GET also is applied to intermediate stage products and services, namely those that are sold not to an end user but to a retailer, or someone further up the production chain. For example, consider a farmer selling vegetables to a market, or a fashion designer selling artwork to a manufacturer who will be making aloha shirts with that artwork. There, the GET is imposed at the "wholesale rate" of 0.5% instead.

When movie and TV productions are made, not all of the people participating in the production are on the payroll. A few, such as principal cast, the director, and others in key roles like the director of photography, are independent contractors to the production. Many of them have entities they own, known as "loan-out entities," which then contract out to the production.

What, then, is the GET rate that applies when a loan-out entity is paid by the production company?

In 2008, the Department of Taxation published proposed rules containing several key GET interpretations. In Proposed Admin. Rule sections 18-237-13-01.01(b) and 18-237-13(6)-10(b), which appeared in [Tax Information Release 2008-02](#), the Department said that a production company is in the business of manufacturing, and a loan-out entity providing services to the production company qualified for the 0.5% wholesale rate. The proposed rules were repropounded in modified form in [Tax Information Release 2009-05](#), but in the same proposed rule sections the Department reaffirmed that the GET interpretations above were still good and could be relied upon by taxpayers.

During the next ten years, the Department decided not to finalize these proposed rules, instead publishing revised temporary rules that only addressed the income tax credit for productions and did not include any GET rules. After finalizing the rules, the Department published an [Announcement](#) in November 2019 ostensibly to summarize the rules that were adopted, but it

added a note, seemingly out of right field, saying that a “production company is not considered to be in the business of ‘manufacturing’ [for GET purposes].”

[Tax Information Release 2021-01](#), the interpretation published on February 16, explains that “the Department reviewed its position on deeming a motion picture or television film production company to be engaged in the business of manufacturing. Through this review, the Department determined that this prior position was inappropriate.” In other words, the Department changed its mind, and loan-out entities are now taxable at the full retail GET rate. Neither the Release nor the prior announcement showed any reasoning from the applicable law (which did not change in the meantime) even attempting to justify the Department’s about-face.

“I am altering the deal,” the Department is effectively saying. “Pray I don’t alter it any further.”

Folks, this is Hawaii, not “The Empire Strikes Back.” The Department is given authority to make published pronouncements and adopt rules so people know and can plan business activities that follow the law. If the law changes because of legislative action or a court decision, that’s one thing. Or if the Department made a mistake in coming to its earlier ruling and can explain what the mistake was and why it was wrong, maybe that is okay as well. But changing the rules in midstream just because someone feels like it sends the message that the Department can act arbitrarily. We need our government to keep its word, give adequate notice of any material changes, and rein in any Vaderesque action.

Digested: 2/28/2026



MOTION PICTURE ASSOCIATION

House Bill 2590 – MEMO IN SUPPORT

House Committee on Finance

March 2, 2026

The Motion Picture Association (MPA) and its members are pleased to support House Bill 2590 (“HB 2590” or “the Bill”). The Bill will make Hawai’i’s Motion Picture, Digital Media, and Film Production Tax Credit program more effective in attracting motion picture, television and streaming production projects to the state and the good middle class jobs created by these productions. MPA is a not-for-profit trade association founded in 1922 to address issues of concern to the motion picture industry. Since that time, MPA has advanced the business and art of storytelling, protected the creative and artistic freedoms of storytellers and brought entertainment and inspiration to audiences worldwide. The MPA’s members are: Amazon Studios, LLC, Netflix Studios, LLC, Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Universal City Studios LLC, Walt Disney Studios Motion Pictures, and Warner Bros. Entertainment Inc.

HB 2590 addresses three issues. **First**, the Bill ensures that payroll service companies will be assessed General Excise Tax (GET) on only that portion of their receipts that is attributed to the service fee paid by their customers, film and television production companies, and not on the amounts that are paid out to production workers, as well as the applicable taxes and other fringe benefit payments¹. In addressing this first issue, the bill restores the GET treatment of payroll service companies from 2006 to approximately 2021, on which the film industry has relied for production and budgeting purposes.

Second, HB 2590 restores the classification of motion picture and television production as “manufacturing.” From the inception of the production tax credit program in 2006 until 2019, film production was treated as manufacturing by DoTAX. The Department’s published guidance, including Tax Information Release 2009-05,² stated that a motion

¹ The bill provides that whether the payments are made directly to a film worker or the film worker’s ‘loan-out’ company which is the professional service company that many creative personnel are hired through, the tax relief is consistently applied.

² DoTAX removed TIR 2009-05 from its website and instructed the Hawaii Film Office to do the same, in approximately April 2019.

picture or television production company was considered to be in the business of manufacturing³, so long as the company was selling, leasing or otherwise exploiting the film product for profit.

That 2009 guidance was then and continues today to be an accurate assessment of motion picture and television production. The physical production of a movie or TV series encompasses many processes. Some examples include building sets, using raw materials that include lumber and paint, among other materials; creating costumes, using fabric, thread and other materials; utilizing practical locations for filming which will include the use of trucks and vehicles to transport cast, crew and equipment to the location; payment of wages to cast and crew through specialized payroll service companies. Only when all these components are undertaken successfully does the production process come to fruition and become a motion picture, or television or streaming program that can be sold or licensed or otherwise used commercially.

Furthermore, all motion picture and television productions are copyrighted. The Copyright Act, 17 U.S.C. § 102(a), states that copyright protection subsists in original authorship *fixed in any tangible medium of expression*. Thus, there must be some tangible medium of expression in which a production must be fixed, and the products, services, and effort that went into making it can be considered inputs to manufacture that tangible object.

The longstanding classification of production as manufacturing changed in 2019, upending more than a decade of settled expectations. See Tax Information Release [2021-01](#). The practical effect was the GET rate increased, from the lowest rate (.5%) to the highest rate (4%) for many elements of production, driving up the cost of production and making Hawai'i a less competitive motion picture production destination. By restoring the treatment of production as manufacturing, the GET rate can be reduced for the transactions associated with motion picture and television production, which will reduce the cost of production in Hawai'i and better position the state to compete for film and television production jobs.

And the **third** issue HB 2590 addresses is a repeal of a provision enacted in 2022, that changed the definition of “qualified production costs.” That change provided that only those productions transactions which were assessed GET at the highest rate would be eligible for the production tax credit. The repeal of this provision will ensure that costs of production can be assessed the lower GET rate and retain their status as qualified

³ Manufacturing in Hawaii under the Gross Excise Tax includes activities broadly stated to include, ‘*canning, preserving, packing, printing, publishing, milling, **processing**, refining or preparing for sale, profit, or commercial use, any article, substance or commodity.*’

expenditures on the tax credit program. This will make Hawai'i's production tax credit program more effective and attractive for film and television producers committed to filmmaking in Hawai'i.

HB 2590 incremental modifications to the taxation of the film industry in Hawai'i reverses legislative and administrative changes over recent years that eroded the state's competitive position and hindered efforts to attract and sustain film, television, and streaming production in an increasingly competitive global marketplace. For these reasons, MPA supports HB 2590 and urges the Committee's support for the Bill.

HB-2590-HD-1

Submitted on: 3/1/2026 8:50:41 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Genaro Hale Gualdarama	Hawaii Teamsters Local 996	Support	Written Testimony Only

Comments:

In support of bill HB 2590.



March 2, 2026

Committee on Finance
Chair Todd
Vice Chair Takenouchi

The House of Representatives
The Thirtieth-Third Legislature
Regular Session of 2026

[RE: HB 2590 HD1 RELATING TO TAXATION.](#)

DATE: Monday, March 2, 2026

TIME: 8:30am

PLACE: Conference Room 308

State Capitol 415 South Beretania Street, Honolulu HI

Aloha Chair Todd, Vice Chair Takenouchi, and the Members of the Committee,

Thank you for the opportunity to testify in **SUPPORT** of [RE: HB 2590 HD1 RELATING TO TAXATION.](#)

SAG-AFTRA represents over 160,000 actors, recording artists, and media professionals nationwide and over 1400 in Hawai'i. We are the professional performers working in front of the camera and behind the microphone. The SAG-AFTRA Hawai'i Local has a long-standing history of protecting performers in all areas of the entertainment, advertising, and media industries.

As the latest DBEDT figures indicate, in 2025 our film and television industry generated \$79,839,500 in sales or economic activity, \$4,984,200 in estimated tax revenues, and \$18,460,000 in Hawaii household income generated because of the qualified productions.¹ Compare this with 2024 numbers, 2024 our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimated tax revenues, and \$74,948,000 in Hawaii household income generated because of the qualified productions.²

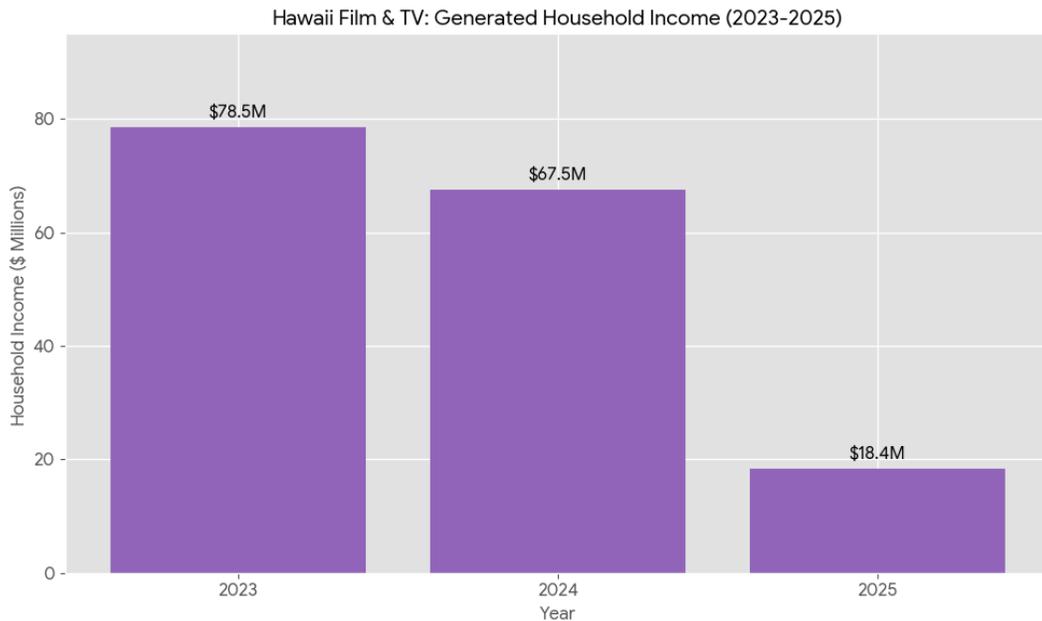
¹<https://files.hawaii.gov/dbedt/annuals/2025/2025-cid-act217.pdf>

² <https://files.hawaii.gov/dbedt/annuals/2024/2024-cid-act217.pdf>

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SCREEN ACTORS GUILD - AMERICAN FEDERATION OF
TELEVISION AND RADIO ARTISTS
SAGAFTRA.org
Associated Actors & Artistes of America / AFL-CIO

Last year we experienced a very real slowdown in production, and our members, local people with families, our friends and neighbors - your constituents, felt it acutely.



3

HB 2590 HD 1 will **protect local jobs**. Film and TV production provides high-quality jobs, healthcare, and pension benefits. This bill makes it more affordable for productions to stay in Hawaii and hire local talent.

This measure is a **direct investment in Hawaii's creative workforce**. It provides the stability needed to keep our local actors and crew members working right here at home.

Respectfully,

Mericia Palma Elmore

Mericia Palma Elmore, Executive Director SAG-AFTRA Hawai'i Local

³ Reports found here: <https://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>

State of Hawai'i
The Thirty-Third Legislature
State House of Representatives
Committee on Finance (FIN)

Monday, March 2, 2026
2:00 PM – Room 308, HI State Capitol

TESTIMONY IN STRONG SUPPORT OF HB 2590 HD 1
RELATING TO TAXATION

Aloha Chair Todd, Vice Chair Takenouchi, and Members of the Committee,

Mahalo for the opportunity to testify on this measure. The Hawai'i Film Alliance (HFA) submits this testimony in **strong support of HB 2590 HD 1** and respectfully thanks the Committee for advancing the measure with the clarifying amendments contained in the current draft.

HFA is a member-based organization comprised of Hawai'i film and television professionals, entertainment union members, creative workers, production companies, small businesses, and allied industry partners who live and work in the State of Hawai'i. Our members span the full spectrum of the production ecosystem that enable films to operate locally.

One of the most significant cost concerns facing productions in Hawai'i is the current application and interpretation of the General Excise Tax (GET) to payroll services, loan-out companies, and other qualified production expenditures. Under current practice, when productions remit payroll funds to payroll companies, loan-out companies or similar financial intermediaries, those gross payroll funds may be treated as taxable income to the intermediary rather than pass-through wages. This results in GET being applied to the full amount of wages before those wages are distributed to workers, even though those funds are not revenue to the intermediary. The same wages are then subject to employee income tax withholding, creating tax pyramiding that increases production costs without increasing worker pay. As a result, productions often reduce shooting days, scale down crew size or choose other jurisdictions with clearer and more equitable tax treatment.

HB 2590 HD 1 makes important progress by clarifying the tax treatment of these transactions and recognizing the intermediary role of payroll service providers, loan-out companies and similar entities. The amendments adopted since the prior committee hearing help ensure these intermediaries are not taxed on funds they merely transmit on behalf of productions. This clarification restores predictability and aligns Hawai'i's treatment more closely with standard



industry practice in other major production states, helping ensure production dollars flow more directly into wages for Hawai'i residents and into local small businesses.

This measure also moves Hawai'i closer to the treatment that existed prior to the 2021 administrative interpretation that expanded GET liability on payroll intermediaries and loan-out structures. Restoring that clarity is critical to maintaining Hawai'i's competitiveness as other states continue to modernize their tax frameworks to attract film and television production.

HFA respectfully suggests that the Legislature consider further amendments to explicitly codify that payroll service providers, loan-out companies, production accountants, and similar intermediaries are subject to GET only on their service fees or commissions and not on the gross payroll or production funds they hold or transmit on behalf of clients. This will ensure long-term certainty, prevent inconsistent interpretation, and reflect the longstanding policy intent that GET apply to business income rather than pass-through wage funds.

HB 2590 HD 1 helps bring production investment to Hawai'i and ensures those funds flow directly into our local workforce and economy. This bill is not about reducing taxes for large studios; it is about preventing the unintended over-taxation of local workers' wages and restoring fairness and clarity to the tax system. Stable, predictable tax treatment allows long-running television series and major productions to look at Hawai'i as a film-friendly locale, providing sustained employment for hundreds of Hawai'i film workers and business employees who wish to stay in Hawai'i.

Alongside other measures to strengthen the creative economy, this bill provides a **predictable and fair business environment** for films and television shows which **helps local workers remain here at home**.

Mahalo for the opportunity to provide testimony. **HFA respectfully requests that the Committee pass HB 2590 HD 1.**

HB-2590-HD-1

Submitted on: 3/1/2026 9:33:06 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ricardo Galindez	Island Film Group	Support	Written Testimony Only

Comments:

Island Film Group STRONGLY SUPPORT this measure as it returns the GET rate for film and television production to the rate that had been in place for more than a decade.



Aloha Chair, Vice Chair, and Members of the Committee,

'Ohina Labs strongly supports HB2590 (HD1).

As a Hawai'i-based nonprofit dedicated to cultivating the next generation of Pacific Islander filmmakers and creative entrepreneurs, we work at the intersection of workforce development, cultural storytelling, and independent production. We see firsthand how tax policy shapes whether productions hire locally, build long-term capacity, and reinvest in our communities.

HB2590 makes several important structural improvements:

1. Aligning the GET rate for film and digital media productions with the manufacturing rate

By imposing the manufacturing general excise tax rate on motion picture, digital media, and film productions, the bill recognizes what our sector truly is: a value-added industry that manufactures intellectual property. Film and digital media projects are not simply service transactions; they are the creation of exportable goods that generate revenue long after production ends. Aligning the rate accordingly increases competitiveness and reduces friction for local producers seeking to finance projects in Hawai'i.

2. Modernizing the definition of "qualified production costs"

Repealing the provision that tied qualified costs to those subject to the highest GET rate corrects a structural inefficiency. This change better reflects the realities of production accounting and prevents unintended distortions that penalize certain categories of spending. It creates clarity and fairness for both local independent producers and larger productions operating in the state.

3. Eliminating pyramiding on pass-through payroll expenses

Exempting from GET certain amounts received by a motion picture project employer that are disbursed for wages, salaries, payroll taxes, insurance premiums, employment benefits, and payments to loan-out companies is critical. Production payroll often moves through multiple entities. Without relief, these pass-through funds are taxed repeatedly, inflating budgets and discouraging projects from basing operations here.

For emerging filmmakers and smaller-budget productions—the very artists 'Ohina Labs supports—this pyramiding effect can determine whether a film is viable at all. Removing it makes Hawai'i more accessible to independent storytellers, not just major studio productions.

4. Strengthening compliance and integrity in the tax credit system

The withholding requirement on payments to loan-out companies ensures that amounts actually due for services performed in the State are properly accounted for. This provision protects the integrity of the Motion Picture, Digital Media, and Film Production Tax Credit while maintaining the credibility of Hawai'i's incentive program.

Taken together, HB2590 supports three essential goals:

- Workforce development: More competitive and rational tax policy means more productions, more local hires, and more pathways for Hawai'i residents to build careers in the creative economy.
- Economic diversification: Film and digital media are export industries. They bring outside capital into Hawai'i and circulate it through local vendors, crews, and small businesses.
- Cultural storytelling: A stable and predictable production environment empowers local creators to tell Hawai'i's stories authentically, rather than forcing them to relocate to the continent.

As an organization rooted in supporting local storytellers, we believe HB2590 strengthens the ecosystem necessary for local talent to thrive. It reduces unnecessary tax burdens, clarifies compliance, and enhances Hawai'i's competitiveness in an increasingly mobile global production market.

'Ohina Labs respectfully urges the Committee to pass HB2590 (HD1).

Mahalo for the opportunity to testify.

Gerard Emore

HB-2590-HD-1

Submitted on: 3/1/2026 7:05:03 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Daniel Rosner	Hawaii Media Inc.	Support	Written Testimony Only

Comments:

Aloha Chair Todd, Vice Chair Takenouchi and Members of the Committee,

I am Danny Rosner, president of Hawaii Media Inc, the largest provider of rental equipment to the motion picture industry in Hawaii. Also, I have been a member of IATSE Local 665 since 1981.

Hawaii Media **SUPPORTS** HB 2590 as an important step in enhancing the state's tax credit incentive.

Mahalo for the opportunity to let our opinion be heard, and for you consideration.

Danny Rosner



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

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SYLVIA LUKE
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Fax: (808) 586-2377

Statement of
GEORJA SKINNER
Administrator, Creative Industries
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

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HB2590 HD1
RELATING TO TAXATION

Chair Todd, Vice Chair Takenouchi, and members of the Committee. Creative Industries (CID), in the Department of Business, Economic Development, and Tourism (DBEDT) supports HB 2590 HD1, which imposes the manufacturing general excise tax rate on motion picture, digital media, and film productions; repeals the provision in the definition of “qualified production costs” that applied the term to costs subject to the highest general excise tax rate; and exempts from the general excise tax amounts received by a motion picture project employer from a client company that are disbursed for employee wages, salaries, payroll taxes, insurance premiums, employment benefits, and payments to loan-out companies.

When the majority of film and television series production left the state in summer 2024, the additional impact from the GET cost on motion picture project employers became a dis-incentive for attracting productions to the state. This included a major feature film pulling up stakes and moving the production elsewhere.

HB2590 HD1 seeks to exclude payroll pass-through reimbursements from taxable income, removes structural disadvantages faced by productions operating in Hawai'i and improves the State's competitiveness as a production destination. We note that while this provision was not included in DBEDT's administrations measures, the department supports the clarification.

Aligning Hawai'i's tax treatment with standard industry payroll practices reduces administrative friction, compliance risk, and cost uncertainty for productions. By improving predictability and reducing barriers, HB 2590 HD1 strengthens the overall effectiveness of Hawai'i's film tax credit program and complements DBEDT's broader policy objectives to enhance industry competitiveness, attract sustained production investment, and support a stable local workforce.

Such improvements directly support workforce stability, enhance production planning certainty, and reinforce Hawai'i's position as a viable long-term production location. CID will defer to the Department of Taxation regarding the fiscal impact of the proposed tax changes, revenue implications and any technical administration considerations.

Thank you for the opportunity to testify.

HB-2590-HD-1

Submitted on: 2/27/2026 7:00:09 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Soraya-Elena Perez	Individual	Support	Written Testimony Only

Comments:

Aloha,

My name is Soraya-Elena Perez and I support this Bill. I believe that this this Bill protects local jobs and makes hiring Hawaii talent a more financially viable choice for productions.

Mahalo

HB-2590-HD-1

Submitted on: 2/27/2026 7:26:56 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Shereen Balles	Individual	Support	In Person

Comments:

Aloha mai kākou,

My name is Shereen Balles and I am in support of House Bill 2590.

This bill protects local jobs and makes hiring Hawaii talent a more financially viable choice for productions.

Me ke Aloha Pumehana Pau'ole,

Shereen Balles

HB-2590-HD-1

Submitted on: 2/27/2026 10:28:45 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lisa Romano	Individual	Support	Written Testimony Only

Comments:

Please pass this bill. Mahalo!

HB-2590-HD-1

Submitted on: 2/28/2026 2:17:00 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Joshua Meredith	Individual	Support	Written Testimony Only

Comments:

My name is Joshua J. Meredith. I'm a Maui resident and member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. I strongly support HB 2590.

HB-2590-HD-1

Submitted on: 2/28/2026 2:29:13 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Randall Yokota	Individual	Support	Written Testimony Only

Comments:

Aloha. I'm supporting bill SB2590. Because, even if and when we do have film productions come and film here in Hawai'i. We want them to hire local talents as much as possible. And, this will give the production companies incentives to want to hire local talents. Yes, we are having a few film productions happening currently. But, it would be really great if we can have a steady flow of them coming. So that we can start having a steady paycheck again. I believe we all want to have a steady paycheck. Mahalo for your time

HB-2590-HD-1

Submitted on: 2/28/2026 7:45:54 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Christopher Wiecking	Individual	Support	In Person

Comments:

My name is Christopher Wiecking. I am a 27 yr member of IATSE local 665 here in Hawaii. I am submitting my testimony in support of HB2590 HD1.. Thank you for your time.

HB-2590-HD-1

Submitted on: 2/28/2026 7:48:03 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jean Simon	Individual	Support	Written Testimony Only

Comments:

Aloha,

I strongly SUPPORT HB 2590.

Film has been unfairly paying taxes twice for employees. By changing to the lower manufacturing GET rate for film production, it exempts the amounts disbursed for local employee wages, salaries, taxes and benefits from the GET.

This protects local jobs (VERY important!) and makes hiring local talent a more financially viable choice for productions. As an actor, that's very important to me!

Mahalo,

Jean Simon

HB-2590-HD-1

Submitted on: 2/28/2026 8:09:16 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

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

Comments:

Chair Dela Cruz, Vice Chair Cullen, and Members of the Committee:

I submit this testimony in support with amendments for this bill. For the first time in recent memory, the Legislature is addressing structural tax problems that have quietly been punishing Hawai‘i-based film vendors and local businesses for years. That is worth supporting. But the bill as drafted leaves the most critical fix on the table — and contains one provision that actively makes things worse.

What this bill gets right. Reclassifying film production under the manufacturing GET rate is substantively correct. Film production is manufacturing — it takes raw materials and produces a finished commercial product. Taxing it as a service has burdened local productions unnecessarily and placed Hawai‘i at a competitive disadvantage against states that already recognize this. Similarly, the GET exemption for motion picture project employer pass-throughs — covering wages, payroll taxes, and benefits disbursed to workers — eliminates a layer of tax pyramiding on labor costs that served no policy purpose. These are real fixes.

What this bill still misses — and must be amended to include. The single most damaging structural flaw in Hawai‘i’s film tax environment is GET pyramiding on local equipment rentals, and this bill does not touch it. Local rental vendors — cameras, trucks, generators, grip and lighting equipment — pay GET when they purchase that equipment, and again every time it is rented out, with no credit or offset. The result is that Hawai‘i-based rental businesses are structurally more expensive than mainland suppliers, and productions are quietly incentivized to import equipment rather than rent locally. This bill corrects pyramiding on labor. It must also correct pyramiding on locally owned production equipment.

The amendment needed is straightforward: extend a GET exemption or pass-through credit to qualified production equipment rentals from Hawai‘i-incorporated vendors, treating rental equipment consistently with how this bill now treats manufacturing inputs and labor costs. Without this fix, we are solving half the problem and leaving local capital investment — the vendors who bought equipment specifically to serve this industry — still holding the bill. The loan-out withholding provision needs correction. Section 4 amends the withholding requirement on loan-out company payments to require that the amount withheld “shall exceed the amount actually due.” This is not a typo — it is a policy choice to deliberately over-withhold from production companies as a compliance mechanism. Over-withholding creates real cash flow harm for smaller productions and independent loan-out companies, and it transfers that burden onto the exact mid-sized and independent productions Hawai‘i most needs to attract. The withholding should be set at the applicable rate — not above it. This provision should be amended to remove “exceed” and replace it with “equal.”

Summary of requested amendments:

1. Add a GET exemption for qualified production equipment rentals from Hawai'i-incorporated vendors — correcting equipment pyramiding the same way this bill corrects labor pyramiding.

2. Amend Section 4 to require withholding equal to — not exceeding — the amount actually due on loan-out company payments.

This bill is a meaningful step in the right direction, and with these amendments it becomes a genuine win for Hawai'i's local vendors and resident workforce. I urge the Committee to advance it with these changes.

Mahalo for your consideration.

HB 2590 — GET Changes; Payroll Pass-Through; Loan-Out Withholding

Submitted by: Brian Keaulana
Producer / Director / Stunt Coordinator / Ocean Risk Management Specialist
Position: SUPPORT WITH AMENDMENTS / CLARIFICATION
Date: March 01, 2026

Chair and members, aloha mai kākou.

My name is Brian Keaulana, Producer / Director / Stunt Coordinator / Ocean Risk Management Specialist. I submit testimony on HB 2590 in support with amendments and clarification because the bill can improve competitiveness but must protect Hawai'i-based loan-out businesses from cash-flow harm.

Competitive incentive context: Hawai'i competes directly with other jurisdictions that offer aggressive, predictable tax incentives and purpose-built infrastructure. To draw productions here—and keep them here—we need a competitive, stable incentive that reduces friction and rewards in-state hiring, local vendors, and in-state post work.

How this benefits Hawai'i's economy: Reducing tax pyramiding on payroll flows can improve competitiveness and help Hawai'i win more work.

How this benefits local people and vendors: More productions create more local jobs and vendor demand; clearer payroll pass-through treatment can reduce friction for employing local people.

Is this a sustainable business for me: Loan-out withholding rules directly affect cash flow for Hawai'i-based companies. With clear guardrails and timely credit/refund processes, the bill can support sustainable local businesses like mine.

Requested clarifications / improvements: Clarify withholding to avoid over-withholding; require a timely mechanism for credit/refund; direct DOTAX to publish clear guidance on “separately stated and documented” reimbursements and loan-out reconciliation.

Design check: Best designed when it reduces friction without shifting risk onto local loan-out companies through over-withholding or delayed refunds.

Mahalo for your consideration.

HB-2590-HD-1

Submitted on: 3/1/2026 12:45:09 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ionatana K Iese	Individual	Support	Written Testimony Only

Comments:

Testimony in Support of HB 2590

TO: Chair and Members of the House Committee

FROM: Ionatana Iese

RE: Testimony in Support of HB 2590 – Relating to the Motion Picture, Digital Media, and Film Production Income Tax Credit

Aloha Chair, Vice-Chair, and Members of the Committee,

My name is Ionatana Iese, and I am writing to express my strong support for HB 2590. I am currently working as the Grip Best Boy on the production of Jumanji 3 here in Hawaii. I would like to share my personal experience to illustrate how this legislation directly impacts local workers and small businesses.

Direct Economic Impact on Local Workers

Film productions provide high-quality, specialized jobs for Hawaii residents. In my current role, I earn \$54 per hour and consistently work 10-hour days. This represents a significant livable wage that allows local film professionals to remain in the islands and support their families. Without the stability provided by the film tax credit, these technical roles—and the specialized skill sets they require—would likely move to other jurisdictions.

Support for Local Small Businesses

The impact of a production like Jumanji 3 extends far beyond the payroll of the crew. It fuels a massive ecosystem of local vendors. For example:

Local Equipment Rentals: Our production is currently renting gear from Hawaii Media Inc., a locally owned and operated business, with an expenditure of \$20,000.

Daily Stimulus: Even daily operations contribute to the local economy; our team spends approximately \$100 per day specifically on craft services and local food vendors.

Conclusion

When we incentivize film production through HB 2590, we aren't just bringing celebrities to our shores—we are securing the livelihoods of local technicians like myself and ensuring that Hawaii-owned businesses like Hawaii Media Inc. can thrive.

I urge the committee to pass this measure to keep Hawaii competitive and keep our local film industry working.

Mahalo for the opportunity to testify,

Ionatana Iese Grip Best Boy, Jumanji 3 IATSE Local 665 Member

HB-2590-HD-1

Submitted on: 3/1/2026 7:24:13 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Debra Grey	Individual	Support	Written Testimony Only

Comments:

Aloha Chair and Members,

My name is Debra Grey, and I am a member of the Fandom Of MagnumPI.

I respectfully support HB 2590 because it protects local jobs and strengthens wages for Hawai'i workers.

Supporting local labor ensures productions continue hiring Hawai'i crew and investing in our workforce.

Mahalo for your consideration.

HB-2590-HD-1

Submitted on: 3/1/2026 7:54:25 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Vincent Laurent Loïc LEQUERTIER	Individual	Support	Written Testimony Only

Comments:

Aloha Chair and Members,

My name is Vincent LEQUERTIER and I am a member of the Fandom Of MagnumPI.

I respectfully support HB 2590 because it protects local jobs and strengthens wages for Hawai'i workers.

Supporting local labor ensures productions continue hiring Hawai'i crew and investing in our workforce.

Mahalo for your consideration.

Vincent LEQUERTIER

HB-2590-HD-1

Submitted on: 3/1/2026 7:59:12 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
fabienne lequertier	Individual	Support	Written Testimony Only

Comments:

Aloha Chair and Members,

My name is Fabienne Lequertier , and I am a member of the *Magnum P.I.* fandom.

I respectfully support HB2590 because it protects local jobs and helps strengthen wages for Hawai‘i’s workers. Supporting local labor ensures that film and television productions continue to hire Hawai‘i-based crew members and invest directly in the state’s workforce.

By maintaining a competitive and sustainable production environment, this bill helps safeguard opportunities for local families and small businesses that depend on the industry.

Mahalo for your time and consideration.

Respectfully,
Fabienne Lequertier

HB-2590-HD-1

Submitted on: 3/1/2026 8:25:35 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Tara Lauu	Individual	Support	Written Testimony Only

Comments:

Aloha Chairs & Members

My name is Tara F Lauu & I'm a member of Fandoms of MagnumPI 2018

I respectfully support HB2590 because it protects local jobs & strengthens wages for HAWAII Nei Workers.

Supporting Local Labor ensures Productions continuing hiring HAWAII crews & investing in HAWAII Workforce.

Mahalo Nui Loa

Tara F.Lauu

Fandoms of MagnumPI

HB-2590-HD-1

Submitted on: 3/1/2026 9:31:06 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
claudia kühn	Individual	Support	Written Testimony Only

Comments:

ich unterstütze die allgemeine Senkung der Verbrauchersteuerbelastung und Befreiung lokaler Löhne von GET. Es müssen lokale Jobs geschützt werden,macht Einstellung Hawaii Crews erschwinglicher hält mehr Geld in der Region und bei den Arbeitern,

m f g

claudia kühn

HB-2590-HD-1

Submitted on: 3/1/2026 11:47:43 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kaipu Seales	Individual	Support	Written Testimony Only

Comments:

Aloha Chair and Members,

My name is Kaipu Seales and I am a member of IATSE Local 665.

I respectfully support HB 2590 because it protects local jobs and strengthens wages for Hawai'i workers.

Supporting local labor ensures productions continue hiring Hawai'i crew and investing in our workforce.

Mahalo for your consideration.

Kaipu Seales

HB-2590-HD-1

Submitted on: 3/1/2026 12:34:00 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Phyllis Bruce	Individual	Support	Written Testimony Only

Comments:

Aloha! My name is Phyllis Bruce and I am a member of The Fandom of Magnum PI. I am support of this bill as it will protect local jobs, consequently keeping more money locally. You have a beautiful culture as I have come to see through watching programs filmed in your beautiful state. I would like to see this continue through your support!

Mahalo

HB-2590-HD-1

Submitted on: 3/1/2026 2:02:15 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lukas s Seno	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Todd and Members of the Committee,

My name is Lukas Seno, and I serve as the Business Agent for IATSE Local 665, representing Hawai‘i’s professional film and television workforce.

I respectfully offer strong support for HB 2590, HD1.

Ensuring that amounts disbursed for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits are treated in a way that supports resident employment is critical to maintaining a stable local workforce. Policies that remove unnecessary tax burdens on labor help ensure that productions continue hiring Hawai‘i residents and investing in our skilled local crew base.

Our members are year-round residents who support families, contribute to the tax base, and strengthen our communities. When state policy reinforces local employment and recognizes the importance of payroll-based production spending, it directly supports Hawai‘i workers and the long-term sustainability of our industry.

On behalf of the workers of Local 665, I respectfully urge your support of HB 2590, HD1.

Mahalo for your consideration.

Lukas Seno
Business Agent
IATSE Local 665
Honolulu, Hawai‘i

HB-2590-HD-1

Submitted on: 3/1/2026 7:36:30 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Leanne Teves	Individual	Support	Written Testimony Only

Comments:

Aloha Rep. Chris Todd, Chair Rep. Jenna Takenouchi, Vice Chair, and the Committee on Finance members,

I am writing to submit testimony in support of HB 2590. I am in favor of what this bill captures with lowering the manufacturing GET rate to film production including exempting amounts disbursed for local employee wages, salaries, taxes and benefits from the GET. Measures such as this will attract productions to come to Hawaii to film and the outcome in the film and television industry would be for our citizens 1) to be keeps in the work force 2) create new jobs diversifying our economic landscape.

Over the past few years we have seen a tremendous decrease of jobs in this filming industry as we all know. Many of my friends, including myself have had to make personal budget adjustments due to this very real loss of monetary income. I look forward to once again being able to have more options in Hawaii with working in the film industry.

Thank you all for your time in reviewing not only mine but all the other testimonies.

HB-2590-HD-1

Submitted on: 3/1/2026 8:00:49 PM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lisa Lee Mitchell	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair and Members of the Committee,

My name is Lisa Lee Mitchell. I am a member of both IATSE Local 665 and the Hawaii Film Alliance. I am writing to express my support for HB 2590.

This measure is a critical step in protecting local jobs and strengthening the wages of Hawai'i's workers. By providing clear support for local labor, HB 2590 ensures that productions filming in our islands continue to prioritize hiring Hawai'i-based crews and investing in our homegrown workforce.

This bill ensures that the industry remains a reliable source of high-quality, thriving-wage jobs for residents. When we prioritize local labor, we ensure that the economic benefits of large-scale productions stay within our islands, supporting local families and small businesses. Supporting local labor sends a clear signal that Hawai'i is committed to maintaining a world-class, professional crew base.

Investing in our workforce today ensures that the creative economy remains a cornerstone of Hawai'i's future. I respectfully urge your support and ask the committee to pass HB 2590.

Mahalo for your time and for your commitment to Hawai'i's working families.

Sincerely,

Lisa Lee Mitchell

HB-2590-HD-1

Submitted on: 3/2/2026 1:12:15 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
William G. Meyer III	Individual	Support	Written Testimony Only

Comments:

Statement of William G. Meyer III

In strong support of HB 2590

Hearing: Monday, March 2, 2016 at 2 p.m.

Dear Chair Todd, Vice Chair Takenouchi and Members of the Finance Committee:

My name is William G. Meyer III, and I hereby express my strong support of HB 2590.

I have been practicing law in Honolulu since 1979 with a focus on entertainment and intellectual property law and have represented both local and national motion picture and television industry stakeholders in connection with intellectual property and tax matters.

Restoring the Characterization of the Industry as Manufacturing.

Because of my background in entertainment industry and copyright matters, shortly after Hawai‘i transitioned its motion picture and television tax incentive structure from the Investment Tax Credit Program (colloquially referred to as Act 221) to the Refundable Production Tax Credit program in 2006, found at HRS 235-17, I assisted the Department of Taxation’s (the “Department”) Administrative Rules Specialists (the lawyers) in drafting the Proposed Hawai‘i Administrative Rules noticed in Tax Information Release (“TIR”) No. 2009-05 and its precursor rules noticed in TIR No. 2008-02. Those rules characterized motion picture and television production activity as “manufacturing” for purposes of the GET. This decision was not made willy-nilly. It was made after a careful analysis of the process involved in making such products and the existing GET statutory rate structure. This fully-vetted analysis resulted in the adoption of HAR 18-237-13-01.01, HAR 18-237-13 (6)-10, and HAR 18-235-17-10, noticed in TIR No. 2009-05.

The “manufacturing” rule held sway and was embraced, followed, and relied upon by the film industry writ large for well over a decade until February 16, 2021, when the then-Director of the Department, with the swipe of a pen, declared in TIR 2021-01 that the longstanding and well-reasoned characterization of the film industry as “manufacturing” was inappropriate. The

Director did not specify any evidence or reasoning to support this re-categorization. This poor tax policy had a chilling effect on the local film industry and is, in my judgment, at least partially to blame for the reduction of production activity in the state over the last few years.

This bill will return the motion picture and television industry to its proper characterization for GET purposes.

Restoring Exemption of Reimbursements From GET.

This bill will also serve to correct another misguided action by the Department concerning the GET which acted to further sully Hawai'i's reputation in the industry.

Until recently the Department exempted from the GET "reimbursements" to a motion picture project employer ("Payroll Company") for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits. In an abrupt, unfair and misguided change in tax policy the Department simply declared these "reimbursements" were subject to the GET. This required the Payroll Companies to pass this unbudgeted charge on to the production companies. This sudden change sent shock waves through Hollywood and messaged that Hawai'i cannot be trusted to maintain consistent, reliable and fair tax policies which are necessary to an industry that depends upon fiscal stability given the long time period involved in the development and production of entertainment products, especially when such drastic changes significantly impact the cost of producing such products and especially if such changes treat the industry more harshly than other industries similarly situated.

This bill returns to the sane practice of exempting amounts received by a motion picture Payroll Company 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 benefits, including retirement, vacation, sick leave, health benefits, and similar employment benefits with respect to motion picture project workers at a client company and for payment to loan-out companies.

My thanks to the House for taking up this matter and restoring sane and common sense tax policies in support of this important industry.

Respectfully submitted

William G. Meyer III

HB-2590-HD-1

Submitted on: 3/2/2026 8:56:46 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
HENRY IAN CUSICK	Individual	Support	Written Testimony Only

Comments:

Chair Todd, Vice-Chair Takenouchi, and Members of the Committee,

I am writing in strong support of HB 2590, which will significantly enhance Hawaii's film and media industry.

This bill restores the general excise tax rate for film production to the manufacturing rate, reducing costs and making Hawaii more competitive. It also exempts payroll reimbursements from the tax, preventing unnecessary tax increases.

These changes will attract more productions, protect local jobs, and boost our economy.

Thank you for your consideration.

Sincerely,

Hi Cusick President Sag Aftra Hawai'i local

HB-2590-HD-1

Submitted on: 3/2/2026 10:11:00 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dean Des Jarlais	Individual	Support	Written Testimony Only

Comments:

I strongly support HB2590 because it clarifies that the manufacturing rate or excise tax should apply to film and television productions, making Hawaii more competitive.

HB-2590-HD-1

Submitted on: 3/2/2026 10:48:50 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Thomas h. Penny	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice-Chair and members of this Committee.

My Name is Thomas Penny, and I have worked in the film industry as a member if IATSE Local 665 for 22 years. I am submitting my testimony in support of HB2590. Thank you for your time.

HB-2590-HD-1

Submitted on: 3/2/2026 11:21:37 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Adam Palya	Individual	Support	Written Testimony Only

Comments:

Testimony of Adam Palya

before the House Committee on Finance

in STRONG SUPPORT of HB 2590

Hearing: Monday March 2, 2026, at 2:00pm

Dear Chair Todd, Vice Chair Takenouchi, and Members of the House Committee on Finance:

My name is Adam Palya, and I hereby express my strong support of HB 2590.

I have been working as an independent filmmaker in Hawai'i for five years. Most of my work involves storytelling through documentaries and short form video pieces for local nonprofits and community groups. My "day jobs" are working at Kahilu Theatre in Waimea as a video producer and teaching a video production class at Parker School. I also created and produce the show Haole Do It, featuring Brother Noland, which was broadcast on KFVE and can now be seen on Kahilu.TV (season 4 coming soon!)

HB 2590 is important to myself and the entire local film community because it will help allow us to continue the important work we do. We are the storytellers of our communities - we are preserving culture, documenting the legacy of our 'aina, and educating our peers and generations to come. We are sharing the stories of Hawai'i with each other and the world. In the age of social media, all our local small businesses and organizations are looking for producers to create content so they can share their message and gain support.

But, the work is not always consistent, and it's hard to make ends meet as a video producer. Many of us, like myself, are freelancers who work on tight budgets and juggle other day jobs to make it all work. All too often, financial pressures push indie filmmakers to seek out work in other industries because the numbers just don't work, even though the work we do is so important for our communities.

Returning the applicable GET rate to 0.5%, where it was for almost two decades, makes a big difference in our bottom line and helps to make this work sustainable for us. We're not asking for a windfall, we're asking the legislature to help support an important industry that is struggling but has so much potential.

Mahalo for your time and attention to this important matter for the local film industry.

Signed,

Adam Palya

Lucky Tree Productions

HB-2590-HD-1

Submitted on: 3/2/2026 11:23:59 AM

Testimony for FIN on 3/2/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Julia Brotman	Individual	Support	Written Testimony Only

Comments:

Testimony of Julia Brotman

before the House Committee on Finance

in STRONG SUPPORT of HB 2590

Hearing: Monday March 2, 2026, at 2:00pm

Dear Chair Todd, Vice Chair Takenouchi, and Members of the House Committee on Finance:

My name is Julia Brotman, and I hereby express my strong support of HB 2590.

I have worked as an intellectual property and entertainment attorney at Honolulu-based law firm Settle Meyer Law for the last eight years. In that time, I have seen first-hand the struggles between the local film industry and the Hawai'i Department of Taxation.

Film production is, at its core, a manufacturing process, and should be classified as such for general excise tax purposes. The Department of Taxation recognized this and published guidance to this effect almost two decades ago. This contributed to a significant increase in production in Hawai'i – not just the major studio productions like Lost, Hawai'i Five-0, Magnum PI, and many others, but also supported meaningful growth among the indie filmmakers and producers who are so important in preserving local culture and sharing the stories of Hawai'i with the world.

In 2021, the Department of Taxation abruptly reversed course and issued TIR No. 2021-01, which re-classified all motion picture production work at the 4.5% general excise tax rate, without any legal analysis or reasoning to support this change under applicable excise tax law. The industry recoiled in response and budgets that were already tight grew even tighter, shrinking profit margins for local filmmakers who already struggle to make ends meet.

From a legal perspective, it's unclear whether and to what extent the Department of Taxation's changed policy in 2021 is enforceable, and in any event it has caused a great deal of confusion and distrust in the local film industry.

SB 2796 is an opportunity for the legislature to c rectify the situation and make it clear that film production is a manufacturing process under applicable general excise tax law, and that motion picture production companies and the companies that provide services to them are subject to the 0.5% general excise tax rate.

Although sometimes framed as a tax benefit, this is not actually a handout or cutting the industry a break. Rather, it is confirming what is already a proper analysis of motion picture production work under existing general excise tax law – but now, there will be no confusion about the Department of Taxation’s changing policies and no doubt as to whether motion picture production work is considered a manufacturing process under the law.

Mahalo for your time and attention to this important matter for the local film industry.

Signed,

Julia Brotman