



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

JOSH GREEN, M.D.
GOVERNOR

CHRIS J. SADAYASU
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE
Monday, February 27, 2023
10:00 AM
State Capitol, Conference Room 308 & Videoconference

In consideration of
HB1373, HD1
RELATING TO WORKFORCE DEVELOPMENT.

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB1373, HD1 which seeks to add a new section to HRS 235-17 which provides an incentive rebate program for independent film and television productions of 50% of Hawaii W-2 wages, capped at \$50,000 per employee and requires the remittance of payment of the rebate within 30 days of the filer submitting the required documentation to DBEDT.

First, it is unclear as to the source of funds which would be required for this rebate program as well as DBEDT's authority to issue rebate payments.

Additionally, in Section 2, item (d) on page 3, the 30-day timeline for payment remittance is an operations concern for the department. This requires DBEDT to review, conduct inquiry as necessary, certify this rebate program and issue a payment. We are conferring with our Deputy AG on the ability to effectuate this aspect of the proposed measure. We defer to DoTAX on the timeline, fiscal and operational aspects of the proposed measure.

Should this measure pass, the management of the film and other tax credits in DBEDT and its Creative Industries Division (CID) requires the addition of one FTE at an SR26 level, exempt from Chapter 76 to provide the industry-specific expertise to manage all statutory and workforce rebate programs in the department.

On this note, we call to your attention that HB1373 HD1 can be a vehicle to support the lower range of short film and independent productions, which are the entry level training ground for the pipeline of creative talent crucial to expanding opportunities for work on larger productions. As this is a key facet of building a thriving workforce for creative and film industries, we must ensure this level of independent productions can also benefit from such an incentive and not be unintentionally left out or negatively impacted.

DBEDT will work with DoTAX, the introducers, lawmakers, and industry on the aspects of concern and make recommendations to the committee as this measure moves through session.

Thank you for the opportunity to testify.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1373, H.D. 1, Relating to Workforce Development

BEFORE THE:

House Committee on Finance

DATE: Monday, February 27, 2023

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 308

Chair Yamashita, Vice-Chair Kitagawa, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 1373, H.D. 1, for your consideration.

H.B. 1373, H.D. 1, creates a workforce development incentive rebate ("rebate") program, to be administered by the Department of Business, Economic Development, and Tourism (DBEDT), to incentivize local independent film and television productions. Section 2, page 4, lines 4 through 9 of the bill, provides that an eligible employer who claims the rebate shall not be eligible for the motion picture, digital media, and film production income tax credit ("film credit") for the same project and the rebate issued under the program will not be subject to income tax or general excise tax. Additionally, section 3, page 6, lines 5 through 7 of the bill, provides that any taxpayer who claims the film credit shall not be eligible for the rebate for the same project. The bill has a defective effective date of June 30, 3000, provided that section 3 applies to taxable years beginning after December 31, 2022.

The Department defers to DBEDT regarding its ability to administer the rebate program in connection with the film credit. The Department further notes that it is able to administer section 3 of this bill by the current effective date.

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

HB-1373-HD-1

Submitted on: 2/26/2023 3:26:36 PM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Douglass S. Adams	Department of Research and Development, County of Hawaii	Support	Written Testimony Only

Comments:

Chair Yamashita, Vice Chair Kitagawa, and Members of Committee on Finance:

Thank you for the opportunity to testify in support of HB 1373 HD1, which enables the Department of Business, Economic Development and Tourism to administer a workforce development incentive rebate program to incentivize local independent film and television productions. This bill will support quality jobs for our local film and creative industry workforce, while equitably diversifying and revitalizing our state's and county's economy.

I encourage the Committee to move this bill forward with a positive recommendation for passage by the House.

very respectfully

Douglass S Adams

Director, Department of Research and Development

County of Hawaii

HB-1373-HD-1

Submitted on: 2/25/2023 1:39:30 PM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Gerard Elmore	?Ohina	Support	Written Testimony Only

Comments:

Aloha, my name is Gerard Elmore, executive director of 'Ohina, a lab and showcase program that develops local talent and local films. I'm also the VP of Film at NMG Network (nmgnetwork.com). I'm writing in support of HB1373 HD1.

We are super active in developing and nurturing local talent and this bill helps to develop a path for above the line jobs. It will allow local indie filmmakers and local storytellers to develop unique IP that can bring in shows, movies, etc down the line.

Most of our projects don't take advantage of the tax breaks as we are under the threshold. A lot of micro features, short films, and pilots that need help.

We have found ways to bootstrap projects but we need to help to keep it going and we need more opportunities for our local talent. This bill delivers another option that is greatly needed to help us get to the next level.

We are developing projects that were a part of the Sundance Institute Lab programs and have been workshopped and vetted. We just need that extra push to help produce them here.

Mahalo for your support and happy to answer any questions. gerard.elmore@gmail.com, gerard@nmgnetwork.com

HB-1373-HD-1

Submitted on: 2/26/2023 8:58:49 AM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Deborah Glazier	SAG-AFTRA	Support	Written Testimony Only

Comments:

Aloha Chair Holt, Vice Chair Lamosao, and the members of the committee,

Thank you for the opportunity to testify in SUPPORT of HB 1373 RELATING TO WORKFORCE DEVELOPMENT.

[SAG-AFTRA](#) represents over 1350 actors, stunt performers, recording artists, and media professionals in our state. We are professional performers working in front of the camera and behind the microphone.

This measure is important to SAG-AFTRA and the Hawaii Local Members for two reasons:

1. SB1616 “encourages the growth of local independent film and television productions by requiring the department of business economic development and tourism to administer a workforce development incentive rebate program that incentivizes local independent film and television productions.” Independent films and lower-budget projects provide wages for our members and create more opportunities for local actors, performers, and stunt people to hone their craft; thus growing a better-prepared, more attractive workforce ready to be hired for more roles on bigger-budget studio projects.
2. SB 1616 protects performers and creative industry workers by discouraging the misclassification of employees as independent contractors in lower-budget films/tv productions. Misclassifying employees as independent contractors rob them of state and federally-mandated employee protections, leading to potentially uninsured injury claims, wage theft, and other violations. Additionally, the misclassification of workers can result in a reduction in state tax and unemployment insurance collections.

For reference here is a graphic created by the [US Department of Labor](#) showing the differences between independent contractors and employees.

Thank you for your continued support of our SAG-AFTRA Hawaii Local members, creative industry workers, and the independent film community in our state. We welcome the opportunity to discuss this further.

HB-1373-HD-1

Submitted on: 2/26/2023 11:16:56 AM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Dean Des Jarlais	Hawaii Media Inc.	Support	Written Testimony Only

Comments:

I am writing in strong support of HB1373. This bill will help support local film and television producers specifically. Filing for Hawaii Film Tax credits is an expensive and time consuming process and is not an option for most local producers. This workforce development bill will help subsidize the hiring of local technicians, and give producers a quick return on Hawaii taxes paid on their wages.

IATSE LOCAL 665

FILM, TELEVISION, STAGE, PROJECTION AND TRADESHOWS
Since 1937

INTERNATIONAL ALLIANCE OF THEATRICAL STAGE EMPLOYEES, MOVING PICTURE TECHNICIANS, ARTISTS AND ALLIED CRAFTS
OF THE UNITED STATES, ITS TERRITORIES AND CANADA, AFL-CIO, CLC

Thirty-Second Legislature, State of Hawai'i
House Committee on Finance

Testimony by IATSE 665
February 26, 2023

H.B. 1373 HD 1 - RELATING TO WORKFORCE DEVELOPMENT

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the House Committee,

My name is Tuia'ana Scanlan, president of IATSE Local 665, the union representing technicians in the entertainment industry in Hawai'i. **Local 665 supports HB1373 HD 1.**

It is incredibly important to our union and our industry that we create pathways for local storytellers to access this tax rebate. The projects that local, independent storytellers create are a proven training ground in which the creative workforce which they employ are provided an opportunity to develop their skills. By supporting this bill, you will be empowering the development of local technicians and creative workforce staff that are the backbone of the Film/TV and creative industries in the state of Hawai'i. These productions are staffed almost 100% locally, as lower budget productions cannot afford to fly in workers from out of town. These projects create vital workforce development opportunities for local creative workforce technicians to prepare for larger arenas of work.

In order to strengthen the positive impacts of the Film and TV industry in Hawai'i, IATSE Local 665 asks your committee to support HB 1373 HD 1. Thank you for the opportunity to testify.

In Solidarity,



Tuia'ana Scanlan
President, IATSE 665
he/him/his

IATSE LOCAL 665
FILM, TELEVISION, STAGE, PROJECTION AND TRADESHOWS
Since 1937

The Thirty-Second Legislature, State of Hawai'i
Hawai'i State Senate, Regular Session 2023
Hawaii State Capitol
415 South Beretania Street

February 26, 2023

RE: HB 1373 HD1 – RELATING TO WORKFORCE DEVELOPMENT

Representatives Kyle Yamashita (Chair); Representative Lisa Kitagawa (Vice Chair)
Representatives Aiu, Chun, Cochran, Garrett, Kahaloa, Kila, Kobayashi, Lamosao, Morikawa, Nishimoto,
Poepoe, Takenouchi, Alcos III, Ward

DATE: Monday, February 27, 2023
TIME: 10:00 AM
PLACE: Conference Room 308 & Videoconference

Aloha, Chair Holt, Vice Chair Kitagawa and members of the House Committee –

Mahalo for your continued support of Hawai'i's vibrant and diverse film industry. The IATSE Local 665 represents technicians and artists in the entertainment industry across all Hawaiian Islands. I am writing in **SUPPORT** of HB1373.

For many decades, we have watched large blockbuster features and television series come into the state and showcase our beautiful landscape and grow our workforce. These larger shows must continue to be supported because it allows long-term work, the closest thing our sporadic industry has to full-time employment. You can look to the success of other jurisdictions such as Atlanta, New Mexico and Hollywood on how vital large format shows are to a healthy film industry.

We have also seen the need and desire for local crew to tell our own stories and draft our own content. This bill will help to shoulder smaller projects that are equally important in training our workforce and be less reliant on out-of-state projects. With the introduction of the ACM bachelor's program at UH-Manoa and the film academy at UH-WO, this bill would expand opportunities for local filmmakers.

The W-2 language would help to track this credit to Hawai'i taxpayers and simplify the process of tracking who is eligible.

Please support HB 1373 and help to diversify our vibrant film economy.

Respectfully.

Irish Barber
Business Representative



House of Representatives
The Thirty-Second Legislature
Regular Session of 2023

COMMITTEE ON FINANCE
Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice Chair

RE: HB 1373 RELATING TO WORKFORCE DEVELOPMENT

Date: Monday, February 27, 2023

Time: 10:00 a.m.

VIA VIDEOCONFERENCE

Conference Room 308

State Capitol

415 South Beretania Street

February 25, 2023

From: Roy Tjioe and Ricardo Galindez
Island Film Group
99-1245 Halawa Valley St.
Aiea, HI 96701
808-536-7955

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

Our Background

Island Film Group is a locally owned and operated production company. We began working in Hawaii's film and television industry in 2001 as attorneys at Goodsill Anderson Quinn & Stifel, where we represented filmmakers and other production companies. Since our formation of Island Film Group in 2007, we have been working full-time as producers of feature films such as "Princess Ka'iulani" and "Soul Surfer", network and cable

television movies and series, as well as a variety of commercial productions.

We **SUPPORT** HB 1373 HD1, which provides an alternative to the motion picture, digital media, and film production income tax credit for smaller, independent local productions.

Currently, the process to claim the production tax credit, HRS 235-17 (“PTC”), is both expensive and time-consuming. Voluminous reports are required, the tax department regulations relating to the tax credit are confusing and cumbersome, and it can take more than two years to receive the tax credit. While these issues do not deter large-budget projects, the burden on smaller, local independent projects is substantial.

Smaller projects, with total budgets in the range of \$5m and wages in the range of \$2m, generally rely more heavily on local crew members since the cost of hiring a non-resident crew member can exceed \$2,000 per week in additional costs (airfare, hotel, per diem, car rental, etc.).

HB 1373 HD1 will **directly benefit smaller, local film and television productions** by **encouraging the hiring of local crew members** in order to qualify for the rebate.

In addition, some smaller projects may also attempt to pay crew members as independent contractors in order to save money. That practice does not meet state/federal labor laws, subjects local crew members to potentially uninsured injury claims, and results in a reduction in state tax and unemployment insurance collections. HB 1373 HD1 **requires that the production obtain a general excise tax license, hire crewmembers as W-2 workers, and secure production insurance that protects local workers** in order to receive the benefits of this incentive.

In short, this program will establish a **strong incentive** that will be **much simpler for the State to administer** than the production tax credit.

Me ke aloha,



Roy Tjioe and Ricardo Galindez
Co-Founders
Island Film Group
Honolulu, Hawaii

HB-1373-HD-1

Submitted on: 2/25/2023 11:30:30 PM

Testimony for FIN on 2/27/2023 10:00:00 AM

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

Comments:

Aloha Chair Holt, Vice Chair Lamosao, and the members of the committee,

Thank you for the opportunity to testify in SUPPORT of HB 1373 RELATING TO WORKFORCE DEVELOPMENT.

[SAG-AFTRA](#) represents over 1350 actors, stunt performers, recording artists, and media professionals in our state. We are professional performers working in front of the camera and behind the microphone.

This measure is important to SAG-AFTRA and the Hawaii Local Members for two reasons:

1. SB1616 “encourages the growth of local independent film and television productions by requiring the department of business economic development and tourism to administer a workforce development incentive rebate program that incentivizes local independent film and television productions.” Independent films and lower-budget projects provide wages for our members and create more opportunities for local actors, performers, and stunt people to hone their craft; thus growing a better-prepared, more attractive workforce ready to be hired for more roles on bigger-budget studio projects.
2. SB 1616 protects performers and creative industry workers by discouraging the misclassification of employees as independent contractors in lower-budget films/tv productions. Misclassifying employees as independent contractors rob them of state and federally-mandated employee protections, leading to potentially uninsured injury claims, wage theft, and other violations. Additionally, the misclassification of workers can result in a reduction in state tax and unemployment insurance collections.

Mahalo

HI Cusick

HB-1373-HD-1

Submitted on: 2/26/2023 9:48:16 AM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
SCOTT SWARTZ	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Holt, Vice Chair Lamosao, and the members of the committee,

Thank you for the opportunity to testify in SUPPORT of HB 1373 RELATING TO WORKFORCE DEVELOPMENT.

I am a member of [SAG-AFTRA](#), which represents over 1350 actors, stunt performers, recording artists, and media professionals in our state. We are professional performers working in front of the camera and behind the microphone.

This measure is important to SAG-AFTRA and the Hawaii Local Members for two reasons:

- 1. SB1616 “encourages the growth of local independent film and television productions by requiring the department of business economic development and tourism to administer a workforce development incentive rebate program that incentivizes local independent film and television productions.” Independent films and lower-budget projects provide wages for our members and create more opportunities for local actors, performers, and stunt people to hone their craft; thus growing a better-prepared, more attractive workforce ready to be hired for more roles on bigger-budget studio projects.**
- 2. SB 1616 protects performers and creative industry workers by discouraging the misclassification of employees as independent contractors in lower-budget films/tv productions. Misclassifying employees as independent contractors rob them of state and federally-mandated employee protections, leading to potentially uninsured injury claims, wage theft, and other violations. Additionally, the misclassification of workers can result in a reduction in state tax and unemployment insurance collections.**

Thank you for your continued support of our SAG-AFTRA Hawaii Local members, creative industry workers, and the independent film community in our state.

HB-1373-HD-1

Submitted on: 2/26/2023 4:54:07 PM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Anderson Le	Individual	Support	Written Testimony Only

Comments:

My name is Anderson Le and I am the artistic director of the Hawaii International Film Festival (HIFF) now in its 43rd year. I have been with the Festival for two decades now and I have seen an increase of quality and craftsmanship in local filmmaking, especially from Kanaka Maoli. We have a competition section for our annual MADE IN HAWAI'I section and the grand prize winner is eligible for Oscar consideration as HIFF is the only festival in the State that is officially an Academy Award qualifying festival for short film in this specific category. I personally have seen this rise in quality from an emerging and vibrant creative class of indie filmmakers. Many of them are graduates of the Academy for Creative Media (ACM) at UH. To see this vertical pipeline of film education to production and exhibition in the last decade has been very exciting. To also see three feature films (all based in Hawai'i) premiere in 3 consecutive Sundance Film Festivals--I WAS A SIMPLE MAN by Christopher Yogi (2021); EVERYDAY IN KAIMUKI (2022) by Alikea Tengan; JAMOJAYA (2022) by Justin Chon--is proof that local indie feature films can and will travel to one of the premiere film festivals in the world, showcases that local films are on the rise. In a climate where mainstream media and Hollywood is providing space for Indigenous content is also an opportunity for the State to provide incentives for local and indie film financing. There are many opportunities for content (film and tv) that is produced by Hawai'i-born and raised creatives, especially many of them who are currently employed in Hollywood in creative development. I know of studios, from Disney to Universal to A24, who are developing content to be shot in the islands from a Kamaaina perspective, not diluted and to showcase the myriad of stories and cultural melting pot of the State. But most of all, I see this bill as an opportunity to diversify the economy and thwart the brain drain, and export of the new generation to the Continent. I can see the State providing that push to develop a healthy ecosystem where Hawai'i's extremely talented filmmakers don't have to leave home to make their film and tv. The time is now, because the talent is HERE.

Mahalo,

Anderson Le

Hawaii International Film Festival

HB-1373-HD-1

Submitted on: 2/26/2023 6:12:46 PM

Testimony for FIN on 2/27/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Angela Laprete	Individual	Comments	Written Testimony Only

Comments:

I'm a product of the smaller projects, have done many of them! I KNOW that indie films and smaller budgeted shows always give opportunity to local crew who are ready to move up and experience a key position when most times the bigger shows won't. It also is a great place for our college grads to get their first job. On the other side of this, these shows are short and training is not always available, it's more of a "hands on" experience. The smaller projects are assets to our industry, no doubt, but it's not enough time to give our local crew a chance to train 100% so they can continue to elevate into key positions.

WORK FORCE DEVELOPMENT is about training. It shouldn't just be about the smaller projects but all projects. The fact is industry training for our local crew come from the longer terms shows (TV episodics and features shooting over 3 months) by a dept head or someone in a key position. Also, local internships benefit from longer shows. There should be a mandate to enforce training for our local crews and the next generation especially when "distant hires" are brought in season after season and our locals are left behind. I'm sure the unions (mainly IATSE/skilled crafts) would support and welcome a mandate like this that asks for accountability.