

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 2271, Relating to Workforce Development.

BEFORE THE:

House Committee on Economic Development

DATE: Wednesday, February 14, 2024

TIME: 11:00 a.m.

LOCATION: State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding H.B. 2271 for your consideration.

H.B. 2271 proposes creating a new workforce development incentive rebate program to be administered by the Department of Business, Economic Development, and Tourism (DBEDT). Beginning January 1, 2025, eligible employers can receive a rebate equal to 50 percent of all Hawaii W-2 wages paid for the filing of film, television, commercial, and print projects. The rebate will be capped at \$50,000 per employee per project; no project may receive more than \$1,000,000 in total rebates.

To obtain the rebate from DBEDT, an eligible employer must submit project information, a cost report, a payroll report, and a copy of the employer's Form HW-2 or an equivalent document showing all Hawaii W-2 wages paid. "Eligible employer" is defined as a common law employer who 1) hires the employee, 2) is registered to do business in the State, obtains a general excise tax (GET) license number, and has production insurance. The eligible employer's submissions to DBEDT must either be quarterly or after completion of the project. The bill provides that an eligible employer shall receive the rebate within 30 days of their submission of this documentation, but

any eligible employer who claims the rebate shall not be eligible to claim the motion picture, digital media, and film production income tax credit, also known as the "film credit," under section 235-17, Hawaii Revised Statutes (HRS). The bill also exempts this new rebate from both income tax and GET.

H.B. 2271 is effective upon approval, with the prohibition on rebate recipients claiming the film credit applicable to tax years beginning after December 31, 2023. Additionally, the bill's effective date provides that the bill's amendment to chapter 235-17, HRS, which prohibits taxpayers who have already claimed the film credit from claiming the new workforce development incentive rebate for the same project, will not be repealed when section 235-17, HRS, is repealed and reenacted as required by prior Session Law.

The Department defers to DBEDT regarding its ability to administer and issue this proposed new rebate.

The Department notes that although H.B. 2271 would exempt the new workforce development incentive rebate from both income tax and GET, the Department recommends adding a provision to chapter 235, HRS, specifying that the rebate is not subject to income tax. The Department also suggests adding a provision clarifying that a taxpayer who receives a rebate must reduce any deduction for wage expenses by the amount of the rebate.

Additionally, the Department requests that H.B. 2271's effective date be amended so that the new rebate program, along with any corresponding exclusion from income tax under chapter 235, HRS, or exemption of rebate funds from GET under chapter 237, HRS, applies only to costs incurred after January 1, 2025. This will provide sufficient time to make any necessary form, instruction, and computer system changes.

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

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
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Web site: dbedt.hawaii.gov

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

Wednesday, February 14, 2024
Time 11:00 AM
State Capitol, Conference Room #423

In consideration of
HB 2271
RELATING TO WORKFORCE DEVELOPMENT.

Chair Holt, Vice Chair Lamosao, and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB2271, which requires the department to administer a new workforce development incentive rebate program which seeks to incentivize local hires costs for independent film and television productions in the range of \$5,000,000, effective January 1, 2025.

We defer to the Department of Taxation (DoTAX) on potential fiscal impacts of this measure, noting DBEDT will continue to collaborate on this new proposed incentive, should this measure pass.

While DBEDT currently manages the Motion Picture, Digital Media and Film Production Income Tax Credit program (HRS 235-17), HB 2271 would require the department to issue rebates to filers directly for this program as defined in the measure. Funds are not defined as to their source currently in this measure.

The rebate as proposed offers 50% on all Hawai'i W2 wages, capped at \$50,000 per employee, per project, and no project shall receive more than \$1,000,000 in total rebates. The total impact annually is not defined or estimated in the measure. DBEDT will work with DoTAX and the Department of Budget and Finance to provide estimated costs and impacts.

If HB2271 passes this session, DBEDT will require an additional FTE to oversee and manage the program as part of the department's Tax Credit Unit (TCU) in Creative Industries.

Thank you for the opportunity to testify.



House of Representatives
The Thirty-Second Legislature
Regular Session of 2024

COMMITTEE ON ECONOMIC DEVELOPMENT
Rep. Daniel Holt, Chair
Rep. Rachele F. Lamosao, Vice Chair

RE: HB 2271 RELATING TO WORKFORCE DEVELOPMENT

Date: Wednesday, February 14, 2024

Time: 11:00 a.m.

VIA VIDEOCONFERENCE

Conference Room 423

State Capitol

415 South Beretania Street

February 13, 2024

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

Aloha Chair Holt, Vice Chair Lamosao, 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 Goodwill 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 2271, which provides an alternative to the motion picture, digital media, and film production income tax credit.

HB 2271 will **directly benefit local film and television productions** by **encouraging the hiring of local crew members** in order to qualify for the rebate.

In addition, 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,

Handwritten signatures of Roy Tjioe and Ricardo Galindez.

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

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, NET INCOME, Creative Industries, Workforce Development Incentive Rebate Program

BILL NUMBER: HB 2271

INTRODUCED BY: GATES, AMATO, GANADEN, KAHALOA, MARTEN, MARTINEZ, MATAYOSHI, MIYAKE, NAKAMURA, TAM, WOODSON

EXECUTIVE SUMMARY: Beginning 1/1/2025, requires the department of business, economic development, and tourism to administer a workforce development incentive rebate program that incentivizes local independent film and television productions.

SYNOPSIS: Adds a new section to chapter 201, HRS, to establish a rebate program to incentivize local independent film and television productions.

Amends section 235-17, HRS, to provide that a taxpayer claiming the motion picture, television, and film production credit shall not be eligible for a workforce development incentive rebate under section 201- for the same project.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The bill proposes a workforce development incentive as an alternative to the production credit. The bill recites that the production credit is ideally suited for large, studio-funded projects and finds that the tax credit claiming process is both expensive and time-consuming. Thus, the workforce development incentive is proposed as a solution for smaller productions. This proposed credit certainly does not have the complexity of the production credit, and it appears to be proposed in conformity with constitutional limitations.

Digested: 2/12/2024

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
Regular Session of 2024
House Committee on Economic Development

Testimony by IATSE 665
February 14th, 2024

S.B. 2271 - RELATING TO WORKFORCE DEVELOPMENT

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

My name is Tuia'ana Scanlan, International Trustee and president of IATSE Local 665, the union representing technicians in the entertainment industry in Hawai'i. **Local 665 strongly supports SB 2271**, relating to workforce development.

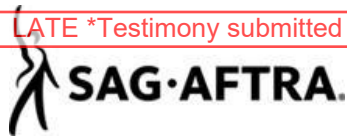
HB 2271 will have a direct and significant positive economic impact on locally produced and staffed film projects. Productions that benefit from this bill do not qualify for the State Film Tax Incentive. This bill will create significant opportunities for growth for local creative industry workers as these types of jobs are where new workers often gain valuable work experience. HB 2271 directly benefits workers in the state of Hawai'i by limiting the rebate to Hawai'i W2 wages, which will ensure that the public funds invested in this initiative remain in the state.

IATSE 665 asks for your committees' support of HB 2271. Thank you for the opportunity to testify.

In Solidarity,



Tuia'ana Scanlan
International Trustee
President, IATSE 665
(he/him/his)



Committee on Economic Development
Rep. Holt, Chair
Rep. Lamosao Vice Chair

The House of Representatives
The Thirtieth-Second Legislature
Regular Session of 2024

RE: HB 2271 RELATING TO WORKFORCE DEVELOPMENT

DATE: Wednesday, February 14, 2024

TIME: 11:00 am

PLACE: Conference Room 423

State Capitol 415 South Beretania Street, Honolulu HI

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

Thank you for the opportunity to testify in **SUPPORT** of HB 2271 ELATING TO WORKFORCE DEVELOPMENT.

SAG-AFTRA represents over 1400 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. HB 2271 “encourage[s] 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. This measure protects performers and creative industry workers by discouraging the misclassification of employees as independent contractors in lower-budget films/tv

Mericia Palma Elmore, Executive Director
SAG-AFTRA Hawaii Local
mericia.palmaelmore@sagaftra.org
201 Merchant St. Suite 2301
Honolulu, HI 96813
Ph: 808-596-0388 Fax: 808-593-2636

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

productions.¹ Misclassifying employees as independent contractors robs 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 more information from the [US Department of Labor](#) on the Misclassification of Employees as Independent Contractors Under the Fair Labor Standards Act.

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.

Respectfully,

Mericia Palma Elmore

Mericia Palma Elmore, Executive Director SAG-AFTRA Hawaii Local

¹ More information on the myths about the misclassification of workers is provided by the US Department of Labor, found [here](#).



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423
Wednesday, February 14, 2024 AT 11:00 A.M.

To The Honorable Daniel Holt, Chair
The Honorable Rachele F. Lamosao, Vice Chair
Members of the committee on Economic Development

SUPPORTING HB2271 RELATING TO WORKFORCE DEVELOPMENT

The Maui Chamber of Commerce **supports HB2271.**

The Chamber notes that the Hawaii film and television industry has continued to grow over the past twenty years due to state tax incentives and the resulting increase in the number of feature film, television series, and commercial productions filming in Hawaii, which has directly contributed to the increase in the number of trained local crew members as well as service and equipment vendors. Also, the existing motion picture, digital media, and film production income tax credit, which currently provides a twenty-two or twenty-seven per cent refundable tax credit for Hawaii-based film and television projects, has attracted a number of blockbuster feature films and long-running television series to the State. This tax incentive is ideally suited for large, studio-funded projects that search locations across the globe to find ones that meet both their artistic and financial requirements.

We agree this bill will encourage 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.

For these reasons, we **support HB2271** and request it be passed.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

HB-2271

Submitted on: 2/13/2024 1:20:38 PM

Testimony for ECD on 2/14/2024 11:00:00 AM

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

Comments:

Aloha,

My name is Scott Swartz. I am an actor, a member of SAG-AFTRA, and a full time resident of Oahu. I support HB2271.

Mahalo

HB-2271

Submitted on: 2/13/2024 5:32:20 PM

Testimony for ECD on 2/14/2024 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Darnell Domingo	Individual	Support	Written Testimony Only

Comments:

I am writing to express my strong support for House Bill 2271, which proposes the establishment of a workforce development incentive rebate program for local independent film and television productions in Hawaii.

My support is grounded in personal experience. I'm from Kahului, Maui. I graduated from the New Media Arts Animation program at Kapi'olani. And pursued a degree in the Academy of Creative Media at UH Manoa. I secured an internship at Hawaii Film Partners, a locally owned film studio, eventually becoming a story artist and animator. And I benefited from the tax credits and incentives of Act 221, which supported companies like Hawaii Film Partners and then Hawaii Animation Studio.

My experience exemplifies the success of investing in our film, entertainment, and digital media sectors. Regrettably, with the demise of Act 221, the companies I worked for closed their doors and the industry dried up, forcing talented artists and filmmakers to leave Hawaii and seek opportunities elsewhere.

I've know film and television productions can thrive in Hawaii. The proposed rebate program outlined in HB2271 is a forward-thinking initiative that recognizes the economic and cultural contributions of local independent film and television projects, while also addressing the need for workforce development in this sector.

The bill's focus on independent, local productions demonstrates a considerate approach to incentivizing and supporting the growth of Hawaii's film and television industry. I view HB2271 as an essential step towards fostering the development of our local creative community, creating job opportunities, and enhancing the overall economic landscape of Hawaii. I urge you to support this bill and contribute to the continued growth and success of our vibrant creative sector

HB-2271

Submitted on: 2/13/2024 7:04:12 PM

Testimony for ECD on 2/14/2024 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kelly Rice	Individual	Support	Written Testimony Only

Comments:

Aloha! I'd first like to thank the Legislature for supporting our SAG members in beautiful Hawaii. I am in **SUPPORT** of **HB 2271**. A robust and stable incentive program is not only good for our members, crew, technicians and the creative industries, it benefits the whole state by creating living wage jobs and diversifying our economy. HB 2271 allows independent films and lower-budget projects to provide wages for our members and creates 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. HB 2271 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 robs 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,

Kelly Rice

HB-2271

Submitted on: 2/13/2024 7:44:44 PM

Testimony for ECD on 2/14/2024 11:00:00 AM

Submitted By	Organization	Testifier Position	Testify
jess lundgren	Individual	Support	Written Testimony Only

Comments:

Supporting film in Hawaii is a no brainer ! A tourist driven state, film basically pays us to deliver the best advertisement to the world. In addition to the many local jobs etc i believe having more film here gives Hawaii a stronger seat & voice which is extremely important in a changing world. It makes Hawaii a safer place. Please give all the support possible for film incentives. Thank you for your time & effort, aloha 🙌