STAND. COM. REP. NO.

Honolulu, Hawaii

, 2025

APR 04

RE: S.B. No. 732

> S.D. 2 H.D. 2

Honorable Nadine K. Nakamura Speaker, House of Representatives Thirty-Third State Legislature Regular Session of 2025 State of Hawaii

Madame:

Your Committee on Finance, to which was referred S.B. No. 732, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE FILM INDUSTRY,"

begs leave to report as follows:

The purpose of this measure is to:

- Establish the Island Film and Media Production (1) Investment Fund and Board of Trustees to make strategic investments that support film and media production, and deposit general revenues into the Investment Fund;
- (2) Amend the Motion Picture, Digital Media, and Film Production Income Tax Credit by:
 - Changing the certification requirement for (A) qualified production costs that exceed \$1,000,000 from certification via tax opinion to a written, sworn statement accompanied by an independent third-party certificate issued by a Certified Public Accountant;
 - (B) Changing the annual aggregate cap on allowable credits;

- Including broadcast and streaming platform (C) productions as qualified productions;
- (D) Providing an additional five percent credit to qualified productions with a workforce of at least eighty percent local hires; and
- (E) Requiring productions to provide evidence of contacting all local labor unions servicing Hawaii's film industry before the production start date in order to qualify for the credit;
- (3) Exempt gross proceeds arising from entertainment payroll companies from the General Excise Tax;
- (4)Apply the General Excise Tax rate for manufacturers to productions; and
- Exempt from the General Excise Tax amounts received by a (5) motion picture project employer from a client equal to amounts that are disbursed by the employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits and payments to loan-out companies.

Your Committee received testimony in support of this measure from the University of Hawai'i System; Maui Film Office; Hawaii Teamsters Local 996; SAG-AFTRA Hawaii Local; 'Ohina Labs; Fandom of MagnumPI; Aloha Maui Entertainment LLC; Sergs Mexican Kitchen; Hinaaukele Distribution and Catering; My Therapist Thinks Productions, LLC; DGA; Hawaii State AFL-CIO; Palm Tree Livestock LLC; Aloha Harvest; Kapolei Chamber of Commerce; Sight & Sound Productions LLC; C&C Security Inc.; KT Protection Services; Complete Tent Rentals LLC; S&S Pumping LLC; On Location Services; and numerous individuals. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of Budget and Finance; Department of Business, Economic Development, and Tourism; Department of Taxation; Honolulu Film Office; Motion Picture Association; IATSE Local 665; Island Film Group; Tax Foundation of Hawaii; and numerous individuals.

Your Committee has amended this measure by:

- (1) Removing the provisions that established and appropriated funds into the Island Film and Media Production Investment Fund;
- (2) Requiring that counties waive permitting fees for certain film activity conducted on county lands until January 1, 2033;
- (3) Specifying that the annual aggregate cap on allowable credits shall be annually reduced by one-sixth of the existing cap beginning on January 1, 2028;
- (4)Repealing the income tax exemption for persons engaged in the business of motion picture and television film production for taxable years after December 31, 2032;
- Repealing the reenactment on January 1, 2033, of the (5) Motion Picture, Digital Media, and Film Production Income Tax Credit pursuant to Act 88, Session Laws of Hawaii 2006, as amended;
- (6) On January 1, 2033, repealing:
 - (A) The Motion Picture, Digital Media, and Film Production Income Tax Credit;
 - (B) The General Excise Tax exemption for entertainment payroll companies;
 - The application of the General Excise Tax rate for (C) manufacturers to productions; and
 - (D) The exemption from the General Excise Tax amounts received by a motion picture project employer from a client equal to amounts that are disbursed by the employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits and payments to loan-out companies; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your

Committee is in accord with the intent and purpose of S.B. No. 732, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 732, S.D. 2, H.D. 2.

Respectfully submitted on behalf of the members of the Committee on Finance,

KYLE T. YAMASHITA, Chair

State of Hawaii House of Representatives The Thirty-third Legislature

The Thirty-third Legislature

Record of Votes of the Committee on Finance

Bill/Resolution No.: 5B732,5D2, HD	Committee Referral:	Dat	e: 4/2/25	
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle T. (C)			and the state of t	
 TAKENOUCHI, Jenna (VC) GRANDINETTI, Tina Nakada 				Seria de la composición
4. HOLT, Daniel		in ESS Simulates Same		
5. HUSSEY, Ikaika				
6. KEOHOKAPU-LEE LOY, Sue L.				
7. KITAGAWA, Lisa 8. KUSCH, Matthias				
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10. LEE, Mike		W Manning Caramas and a	in the second se	
11. MIYAKE, Tyson K.				
12. MORIKAWA, Dee				
13. TEMPLO, Shirley Ann 14. ALCOS III, David			THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TO THE PERSON NAMED IN COLUMN T	
15. REYES ODA, Julie				(1) (1) (1) (1) (1) (1) (1) (1) (1) (1)
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TOTAL (MALE	15		_	
The recommendation is: 9 Adopte	ed θ Not Adop	O	U	U
If joint referral, did not support recommendation committee cronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) - Committee Duplicate (Yellow) - Chief Clerk's Office Duplicate (Pink) - HMSO				