

**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  
P.O. BOX 259

HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
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**TESTIMONY OF**  
**GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 1498, Relating to Taxation.

**BEFORE THE:**

House Committee on Economic Development & Technology

**DATE:** Wednesday, February 12, 2025

**TIME:** 10:00 a.m.

**LOCATION:** State Capitol, Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments on H.B. 1498 for your consideration.

Section 2 in part II of H.B. 1498 amends section 235-17, Hawaii Revised Statutes (HRS), to increase the motion picture, digital media, and film production income tax credit (the "film credit") by 5 percent for qualified productions that utilize qualified production facilities located within the State. Part II also amends the cap amount and aggregate cap amount of the film credit to unspecified amounts.

Section 4 in part III of the measure amends section 237-24.75, HRS, by adding a new paragraph (4) providing a State general excise tax (GET) exemption for amounts received by a motion picture project employer from a client equal to amounts disbursed by the employer for employee wages, salaries, payroll taxes, insurance premiums, and benefits.

This bill would be effective upon approval with Section 2 applying to taxable years beginning after December 31, 2024, and Section 4 taking effect on July 1, 2025.

DOTAX can administer the proposed changes to Section 2 applying to taxable years beginning after December 31, 2024 but defers to the Department of Business,

Economic Development and Tourism regarding certification of the credit with the proposed changes.

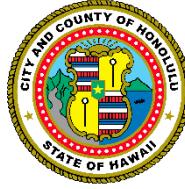
DOTAX requests that the changes in Section 4 become effective on January 1, 2026 to allow for the adoption of guidance and form changes required to implement the proposed exemption.

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

HONOLULU FILM OFFICE  
*KE KE'ENA LĪPINE O HONOLULU*  
CITY AND COUNTY OF HONOLULU

530 SOUTH KING ST, ROOM 306 • HONOLULU, HAWAII 96813  
PHONE: (808) 768-6100 • FAX: (808) 768-6102 • INTERNET: [www.honolulu.gov/film-office](http://www.honolulu.gov/film-office)

RICK BLANGIARDI  
MAYOR  
*MEIA*



WALEA L. CONSTANTINAU  
FILM COMMISSIONER  
*KOMININA LĪPINE*

Testimony of Walea Constantinau,  
Film Commissioner, Honolulu Film Office  
City and County of Honolulu

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

February 12, 2025 -- 10:00 AM  
State Capitol, Conference Room 423 and via Videoconference

**RE: HB 1498 RELATING TO TAXATION -- Testimony strongly supporting the intent  
and offering comments**

Dear Chair Ilagan, Vice-chair Hussey and members of the committees:

The Honolulu Film Office would like to thank the Legislature for its long-standing support of Hawaii's Film Industry. The collaboration between the Legislature and the film industry is a great success story as it helps to grow an industry that is **a revenue-generator that diversifies our economy** by attracting millions of dollars into our state and creates living-wage jobs, all **while building-up our local filmmakers** and bolstering their ability to elevate within the industry.

Continuing this relationship, HB 1498 provides vital updates that would help modernize the credit to:

- Conform to state norms regarding the GET while making the credit more competitive
- Conform to film industry norms, classifying the film industry as 'manufacturing'

While the above are essential to address the current conditions in the industry, we would also suggest the following additional updates to **strategically drive growth** of the industry. The changes would provide:

- An effective 'next phase' for **local workforce development** for the industry -- on-the-job training -- connecting educational pathways to industry pathways for career development
- Make the credit **more competitive** by incentivizing more industry spending over a longer period of time
- 'Right Size' the credit to match current activity levels, solidifying a critical and competitive component - **business certainty** -- for prospective productions.

We respectfully request the following be considered:

- **Create a targeted uplift** within the credit to strategically drive workforce development, for example: an additional 5% uplift for local hires in positions of Above-the-Line, Department Heads and Key positions. This would incentivize productions to hire local residents in positions of greater authority that also have direct authority or influence in the hiring process.
- **Exempt productions from the per-production cap** that meet certain minimums such as working in a qualified stage facility such as the Hawaii Film Studio at Diamond Head, Kalaeloa Stages, Waterfront Studios and future infrastructure developments to capture work being lost to other locales. A production 'caps-out' at approximately \$80M spend. Most large scale television series and feature films are well over \$100M so our per-production cap is a disincentive to attracting productions such as *Chief of War*, the live-action *Moana* and similar large budget projects.
- **Adopt UHERO's recommendation** to raise the overall industry cap to \$75M



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

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR

JAMES KUNANE TOKIOKA  
DIRECTOR

DANE K. WICKER  
DEPUTY DIRECTOR

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

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

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

Wednesday, February 12, 2025  
10:00 AM  
State Capitol, Conference Room #423

In consideration of  
**HB1498**  
**RELATING TO TAXATION**

Chair Ilagan, Vice Chair Hussey and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers comments on HB1498 that increases the motion picture, digital media, and film production income tax credit for qualified productions that utilize qualified production facilities located within the State. Increasing the cap amount of the motion picture, digital media, and film production income tax credit and provides an exemption from the general excise tax reimbursement to a motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits.

DBEDT oversees HRS 235-17, the Motion Picture, Digital Media, and Film Production Income Tax Credit which plays a critical role in economic diversification, supporting key industries to foster over reliance on tourism and generate high-quality, high-wage jobs for Hawai'i residents.

The department requests the committee's consideration in Section 2, line 21, page 10 to insert language to be inclusive of "seven to ten acres" which would help to

incentivize productions in the short term to utilize these facilities until a purpose-built facility on ten acres or more is in place.

Hawai'i is an internationally recognized production destination with the potential to be a leader in the global creative economy. The state's unique multicultural identity supports the creative sector as a driver of economic diversification and revitalization. Strengthening Hawai'i's film tax credit program is essential to maintaining Hawai'i's global competitiveness in an industry that is filming New Zealand for Hawai'i due to the limitations of the existing credit.

To reduce its impact further means collapsing the ability to attract new productions, developing our workforce, and in doing so, justifying the demand for additional studio infrastructure investment. By encouraging investment in a state-of-the-art studio facility in West O'ahu, this measure future-proofs Hawai'i's production capacity, reducing reliance on temporary filming locations.

Expanding infrastructure will:

- Attract large-scale productions that might otherwise film in competing locations such as New Zealand
- Create permanent employment opportunities in technical fields such as post-production, animation, and digital media
- Strengthen educational partnerships to develop local talent pipelines

DBEDT recognizes that Hawai'i's film industry is a key pillar of economic diversification, providing thousands of jobs for local residents and generating millions in direct in-state spending. In 2023 alone:

- 9,168 jobs were supported by the film industry, with 84.8% of positions filled by Hawai'i residents
- Productions spent \$168 million in Hawai'i
- 66.3% of department heads and key roles were held by local hire

HB 1498 includes a provision that would exempt the general excise tax (GET) reimbursement to a motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits. DBEDT strongly supports this provision for the following reasons:

1. Bringing the Film Industry in Line with Other Industries

- Similar exemptions have already been granted to other industries, including hotels, agriculture, and telecommunications.
- The film industry remains one of the few sectors where payroll reimbursements are still subject to GET, creating an unfair financial burden.
- Exempting payroll reimbursements ensures equitable treatment of film industry workers.

2. Encouraging Job Growth and Local Hiring

- The film industry is labor-intensive, and wage costs make up a significant portion of production budgets.
- Eliminating the GET on payroll reimbursements reduces production costs, allowing more local hiring and higher wages.
- This directly benefits Hawai'i's workforce, supporting high-wage, skilled jobs in film and digital media.

3. Strengthening Hawai'i's Global Competitiveness

- Many competing jurisdictions do not impose similar taxes on payroll reimbursements.
- Removing this tax makes Hawai'i more attractive for productions, reducing barriers to filming in the state.
- Ensuring that productions can fully utilize tax credits and incentives without additional GET obligations makes Hawai'i a stronger competitor in the global market.

DBEDT remains committed to fostering innovation and economic diversification through these vital tax credit programs. The Hawai'i Film Tax Credit continues to

position our state as a premier destination for film and media production while creating thousands of local jobs.

Due to the contraction of the U.S. domestic production industry due to the pandemic and strikes, the state is experiencing an unprecedented decline in production in the islands. HRS 235-17 is crucial to incentivizing series and feature films to return to Hawai'i.

Thank you for the opportunity to testify.

**HB-1498**

Submitted on: 2/11/2025 10:25:29 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

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

Comments:

Aloha Chair Ilagan, Vice Chair Hussey and members of the House committee on Economic Development and Technology,

My name is Daniel Rosner, president of Hawaii Media Inc., the largest provider of rental equipment for the movie industry in Hawaii since 1992. Also, I have been a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawaii, since 1981.

**I STRONGLY SUPPORT HB 1498** relating to taxation.

Along with several hundreds, if not thousands of local workers and their families, my business is struggling to survive during the current downturn in film production on our islands. Meanwhile, we represent a highly prestigious filming location which has been the backdrop for some of the most iconic movies; shooting in Hawaii for well over 100 years!

After years of neglect, including the withholding of the actual tax credit claim to which investors are rightfully entitled, these measures send a strong message out to the worldwide film making community that Hawaii is, once again, seriously favorable towards this lucrative industry.

Importantly, this bill will increase the per production cap, and the overall cap for the film tax credit incentive. Together with the 5% additional incentive for the use of qualified production facilities in the state of Hawaii, these measures will be an enticement to both studio investors, and the studio executives who occupy those facilities.

Again, **I STRONGLY SUPPORT HB1498 and urge your committee to do the same.**

Mahalo for the opportunity to testify.

Aloha, Danny Rosner



February 12, 2025

Committee on Economic  
Development and Technology  
Rep. Ilagan, Chair  
Sen. Hussey, Vice Chair

The House  
The Thirtieth-Third Legislature  
Regular Session of 2025

[RE: HB 1498 - RELATING TO TAXATION.](#)

DATE: Wednesday, February 12, 2025

TIME: 10:00 am

PLACE: Conference Room 229

VIA Videoconference

State Capitol 415 South Beretania Street, Honolulu HI

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

Thank you for the opportunity to testify in **SUPPORT** of HB 1498 - RELATING TO TAXATION.

SAG-AFTRA represents over 1400 actors, recording artists, and media professionals in our state. 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.

One way the union advocates for members is by supporting and championing incentives to encourage filming in Hawai'i. Our talented performers want to work here at home. However, if there are no productions, many are forced to seek employment elsewhere. This not only means people leaving Hawai'i and decreased income tax to the state, it also diminishes our creative community.

In addition to contributing to the vibrancy of our creative community, this industry also pumps money into our economy. As the latest DBEDT figures indicate, in 2024 our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimated tax

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

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revenues, and \$74,948,000 in Hawaii household income generated because of the qualified productions.<sup>1</sup> The film/tv/streaming industry also accounted for 2,247 jobs for 2023<sup>2</sup>.

We are grateful for the legislature's continued support of our industry. Specifically, with this measure, we support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET).

Please don't hesitate to reach out to our offices for more information on how this measure impacts our members, your constituents.

Respectfully,

*Mericia Palma Elmore*

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

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<sup>1</sup> <https://files.hawaii.gov/dbedt/annuals/2024/2024-cid-act217.pdf>

<sup>2</sup> [https://files.hawaii.gov/dbedt/economic/data\\_reports/hawaii-creative-report/HI\\_Creative\\_Ind\\_2024.pdf](https://files.hawaii.gov/dbedt/economic/data_reports/hawaii-creative-report/HI_Creative_Ind_2024.pdf)

**HB-1498**

Submitted on: 2/10/2025 6:03:27 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Keahi Kuikahi	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Keahi S Kuikahi. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "load out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Keahi S Kuikahi

**HB-1498**

Submitted on: 2/10/2025 6:29:55 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Raimar Bylaardt II	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Raimar Bylaardt II. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. I strongly support HB 1498, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65- NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20, 235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "load out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

I strongly support HB1498. I urge your committee to do the same. Thank you for the opportunity to testify.

In Solidarity,

Raimar Bylaardt II

**HB-1498**

Submitted on: 2/10/2025 6:38:28 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
vanesa furnari	Individual	Support	Written Testimony Only

## Comments:

My name is Vanesa Furnari. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. I strongly support HB 1498, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65- NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

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I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "load out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

I strongly support HB1498. I urge your committee to do the same. Thank you for the opportunity to testify.

In Solidarity,

Vanesa Furnari

**HB-1498**

Submitted on: 2/10/2025 6:54:37 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Patrick Henry Jeppeson	Individual	Support	Written Testimony Only

Comments:

Please pass HB 1498 to assist with more work potentially coming to the islands. Our industry is a great producer of smaller co that sell previous shows and movies , Jurrasic Park movie locations on a four wheeler , locations of Hawaii 50 , Magnum , and Lost , ect

much Continued Success

Patrick Henry Jeppeson

ps Actor , asst prop master (Hawaii 50 , Magnum P I , NCIS Hawaii and several movies



Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Matthew Fauatea. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20, 235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "load out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Matthew Fauatea

**HB-1498**

Submitted on: 2/10/2025 7:05:45 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
paul ehman	Individual	Support	Written Testimony Only

## Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

Thank you fo rthe opportunity to submit testimony from Maui.

My name is Paul Ehman. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. I am also a member of the DGA (Directors Guild of America), and the IBEW (International Brotherhood of Electrical Workers) so I can work on foreign commercials. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65- NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

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**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

Aloha,

Paul Ehman, Ehman Production Maui

**HB-1498**

Submitted on: 2/10/2025 7:17:07 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Erika K Aresta	Individual	Support	Written Testimony Only

## Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Erika Aresta, I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65- NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

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**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

ERIKA K ARESTA

**HB-1498**

Submitted on: 2/10/2025 7:29:58 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ashlee Valeros	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Ashlee Valeros. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

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**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Ashlee Valeros

**HB-1498**

Submitted on: 2/10/2025 8:10:45 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Alexandra Fernandes	Individual	Support	Written Testimony Only

## Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Alexandra Fernandes. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "load out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)



**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Alexandra Fernandes

**HB-1498**

Submitted on: 2/10/2025 8:17:32 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

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

Comments:

Thank you for the opportunity to testify in SUPPORT of HB 1498 - RELATING TO TAXATION.

My name is Gerard Elmore, VP of Film at NMG Network, Executive Director of 'Ohina, and VP for Hawai'i NATAS (AKA Regional Emmys®)

I'm writing in support of this bill. We need any help we can get for our industry and in strong support.

We are grateful for the legislature's continued support of our industry. Specifically, with this measure, we support the inclusion of the MPA amendments to add “loan out companies” and the reclassification of motion picture and television production as “manufacturing” with regards to the General Excise Tax (GET).

**HB-1498**

Submitted on: 2/10/2025 8:17:55 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
brandon	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Brandon Tapati . I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65- NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20, 235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "load out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Brandon Tapati

**HB-1498**

Submitted on: 2/10/2025 8:47:50 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kekama	Individual	Support	Written Testimony Only

Comments:

Thank you for the opportunity to testify in **SUPPORT** of HB 1498 - RELATING TO TAXATION.

[SAG-AFTRA](#) represents over 1400 actors, recording artists, and media professionals in our state. 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.

One way the union advocates for members is by supporting and championing incentives to encourage filming in Hawai'i. Our talented performers want to work here at home. However, if there are no productions, many are forced to seek employment elsewhere. This not only means people leaving Hawai'i and decreased income tax to the state, it also diminishes our creative community.

In addition to contributing to the vibrancy of our creative community, this industry also pumps money into our economy. As the latest DBEDT figures indicate, in 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. The film/tv/streaming industry also accounted for 2,247 jobs for 2023.

We are grateful for the legislature's continued support of our industry. Specifically, with this measure, we support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET).

Personally, anything the legislature can do to help support the film industry in Hawai'i is important. Please help the local people who need work here.

Mahalo piha,

Kekama Amona



# 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-Third Legislature, State of Hawai'i  
Regular Session of 2025  
House Committee on Economic Development & Technology  
Testimony by IATSE 665  
February 12th, 2025

## **HB1498 - Relating to Taxation.**

Aloha Chair Ilagan, Vice Chair Hussey, and Members of the House Committee,

My name is Tuia'ana Scanlan, International Trustee and president of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **Local 665 strongly supports HB1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 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 Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023. We appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET). **IATSE 665 strongly supports HB1498. We hope your committee will do the same.** Thank you for the opportunity to testify.

In Solidarity,

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

**HB-1498**

Submitted on: 2/10/2025 8:55:18 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Teya Tilley	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Teya Tilley. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65- NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20, 235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Teya Tilley



**HB-1498**

Submitted on: 2/10/2025 10:24:07 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Chauncy Williams	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Chauncy Williams. I graduated with a Bachelors in Digital Cinema from the Academy of Creative Media (ACM) in December of 2018. I am also a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i since November 2022. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

In closing, it is my dream to work in Hawaii, the place that is my home. I'd hate to be priced out of paradise and we need to more work to provide jobs to us, the locals.

**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Chauncy Williams

**HB-1498**

Submitted on: 2/11/2025 7:15:55 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Joseph Barrett	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Joseph Barrett. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. I strongly support HB 1498, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20, 235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

I strongly support HB1498. I urge your committee to do the same. Thank you for the opportunity to testify.

In solidarity

Joseph Barrett

**HB-1498**

Submitted on: 2/11/2025 7:17:46 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Michael Carreno	Individual	Support	Written Testimony Only

## Comments:

Aloha Chair Decoite, Vice Chair Wakai, and members of the Senate committee on Economic Development and Tourism,

My name is Michael Carreno. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support SB1629**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "load out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

**I strongly support SB1629. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Michael Carreno

**HB-1498**

Submitted on: 2/11/2025 7:55:18 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Travis Hoover	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Travis Hoover. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Travis Hoover



**HB-1498**

Submitted on: 2/11/2025 8:05:06 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kevin Kersting	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology,

My name is Kevin Kersting. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498**, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)

**I strongly support HB1498. I urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

Kevin Kersting



# MOTION PICTURE ASSOCIATION

## MEMORANDUM IN SUPPORT OF HOUSE BILL 1498

The Motion Picture Association, Inc. (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, protecting the creative and artistic freedoms of storytellers, and bringing 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.

MPA supports House Bill 1498 and seeks amendments to the bill to address certain issues in the Motion Picture, Digital Media, and Film Production Tax Credit program. As introduced, HB 1498 will amend current law to provide an exemption from the General Excise Tax (GET) for wages, salaries and related payments paid to employees and individuals engaged to work on a motion picture or television production. In addition, the bill promotes the development of Hawai'i's film and television infrastructure and amends the tax credit program to provide an additional tax credit of 5% on qualified production costs incurred at qualified production facilities.

HB 1498 will make Hawai'i's Motion Picture, Digital Media and Film Production Tax Credit program more attractive to film and television producers by making it more cost effective to locate their productions in Hawai'i.

### **I. PAYROLL SERVICE COMPANIES AND THE GENERAL EXCISE TAX**

Motion picture and television production companies retain specialized payroll services companies to perform the payroll functions for their productions. These specialized payroll services companies ensure that those working on a production receive their wages and/or salaries and that all payroll taxes are paid, as well as contributions to relevant health insurance and pension plans. The payroll services companies navigate a myriad of laws, regulations and the requirements of applicable collective bargaining agreements to ensure all employer obligations are satisfied. While the payroll services companies serving the motion picture and television industry are similar to professional employer organizations, they do not meet the requirements of the current professional employer organization exemption, Hawai'i Revised Statutes §237-24.75(3). See Tax Information Release [2024-04](#) (October 10, 2024). HB 1498 ensures that

payroll services companies will be assessed 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 payments<sup>1</sup>. This bill restores the GET treatment of production services companies from 2006 to approximately 2021, on which the industry has relied for production and budgeting purposes.

### **Proposed Amendment to HB 1498/SB 1629**

The proposed addition to section 237-24.75, HRS, as written does not address loan-out companies, which constitute an important part of many productions. We request the insertion of additional language as follows (note that loan-out companies are already defined in section 237-1, HRS):

(4) Amounts received by a motion picture project employer from a client 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, and for payments to loan-out companies, where the terms "motion picture project employer," "client," and "motion picture project worker" mean the same as in section 3512 of the Internal Revenue Code of 1986, as amended.

## **II. RESTORE 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. The Department's published guidance, including Tax Information Release 2009-05,<sup>2</sup> stated that a motion picture or television production company was considered to be in the business of manufacturing<sup>3</sup>, so long as the company was selling, leasing or otherwise exploiting the film product for profit.

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<sup>1</sup> 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.

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

<sup>3</sup> 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.**'

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 services companies. Only when all of 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. Many modern productions are recorded on data cartridge, for example.

In 2019, DoTAX reversed course and stopped treating production as manufacturing, 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. 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 make the state a more attractive, more competitive production locale, leading to more production jobs for those who live in Hawai'i and more production expenditures incurred at local businesses that provide goods and services to film, television and streaming productions.

### **Proposed Amendment to HB 1498/SB 1629**

The bill as written does not address this issue. We request the insertion of additional language into section 237-13(1)(A):

(A) Upon every person engaging or continuing within the State in the business of manufacturing, including compounding, canning, preserving, packing, printing, publishing, production as defined in section 235-17, milling, processing, refining, or preparing for sale, profit, or commercial use, either directly or through the activity of others, in whole or in part, any article or articles, substance or substances, commodity or commodities, the amount of the tax to be equal to the value of the articles, substances, or commodities, manufactured,

compounded, canned, preserved, packed, printed, milled, processed, refined, or prepared for sale, as shown by the gross proceeds derived from the sale thereof by the manufacturer or person compounding, preparing, or printing them, multiplied by one-half of one per cent.

### **III. REPEAL THE PART OF THE DEFINITION OF “QUALIFIED PRODUCTION COSTS” REQUIRING GET TO BE PAID AT THE HIGHEST RATE.**

In 2022, Act 217 (HB 1982 CD 1) was enacted, which included a provision changing the definition of “qualified production costs.” That change provided that only those productions transactions that were assessed GET at the highest rate would be eligible for the production tax credit. This language should be repealed so that the costs associated with the production process, which are manufacturing costs, can be assessed the lower GET rate of .5%. 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.

#### **Proposed Amendment to HB 1498/SB 1629**

The bill as written does not address this issue. We request the deletion of language that was added to the definition of “qualified production costs” in section 235-17, HRS, by Act 217, SLH 2022:

"Qualified production costs" means the costs incurred by a qualified production within the State that are subject to the general excise tax under chapter 237 [~~at the highest rate of tax~~] or income tax under this chapter [~~if the costs are not subject to general excise tax~~] and that have not been financed by any investments for which a credit was or will be claimed pursuant to section 235-110.9. Qualified production costs include but are not limited to: *{The rest of the definition has been omitted}*

Hawai’i offers a tax credit for motion picture, television and streaming producers that has been essential in partially offsetting the high cost of the film process in-state. The production tax credit supports the attraction of many productions to Hawai’i, creating good middle class jobs and a vibrant production ecosystem. However, the imposition of the highest GET rate on services that comprise and contribute to the process of production only serves to increase the cost of production and degrade the value of the Motion Picture, Digital Media & Film Production Tax Credit. These amendments will restore the prior, longstanding position that production is manufacturing and can be entitled to the lower GET rate associated with manufacturing, which will complement the tax credit program and restore its full benefit.

#### **IV. CONCLUSION**

We urge your support for HB 1498 and for the proposed amendments.



The Senate  
The Thirty-Third Legislature  
Regular Session of 2025

COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Representative Geggor Ilagan, Chair  
Representative Ikaika Hussey, Vice Chair

RE: HB1498 RELATING TO TAXATION

Date: Wednesday, February 12, 2025

Time: 10:00 a.m.

Conference Room 423

State Capitol

415 South Beretania Street

February 11, 2025

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

Aloha Chair Greggor, Vice Chair Hussey and Members of the Committee:

**Our Background**

Island Film Group is Hawaii's largest locally owned and operated production company. For more than 20 years we have been producing local films, commercials, television movies and feature films in Hawaii.

We **SUPPORT** HB1498 with the following comments and suggested changes:



- **Tax Credit Percentage Should Be Increased To 25% And 30%:** The tax credit percentages should be increased from 22% and 27% to 25% and 30% to be more competitive with other states and countries.
- **An Additional 5% Tax Credit For Use Of Qualified Production Facilities Sends An Important Message:** The additional tax credit for productions that utilize qualified production facilities will send a much-needed message to studio investors that the state is committed to the film industry.
- **Per Production Tax Credit Cap Should Be Increased to \$20m:** The per production tax credit cap should be increased from \$17m to \$20m to be more competitive with other states and countries.
- **Definition of Qualified Project Should Include Individual Episodes of a Series:** Each episode of series (broadcast or otherwise) should be considered a separate production. Television series are critical to the health of our local industry as they typically provide longer-term employment.
- **Total Tax Credit Amount Should Be Increased to \$100m:** The total tax credit cap should be increased to \$100,000,000. The 2025 DBEDT/READ study “The Impacts of the Film Industry on 2022 Tourism in Hawaii” shows over \$540 million in wages and more than \$121 million in tax revenue from the visitor industry alone. This is in addition to the wages and tax revenue generated from the actual productions.
- **Entertainment Payroll Companies Should Be Exempt from GET:** Entertainment payroll companies are a critical part of the film industry. Complex union rules make it virtually impossible for a production company to pay employees directly. Subjecting entertainment production payroll to GET is an additional cost burden that no other Hawaii businesses are required to bear and effectively reduces the value of the production tax credit.

We **PROPOSE** that the following language be added to the Bill:

- **Investors Should Be Allowed To Allocate Tax Credits By Agreement:** The distribution of the tax credit is currently determined by administrative rule and requires that the tax credit can only be claimed by an investor in an amount related to its investment. For example, if three investors each invest \$100,000 in a film project, each investor can only claim a tax credit on its \$100,000 investment (for Oahu, that would be \$22,000). In some situations, however, the investors may have different appetites for risk and may wish to reallocate the tax credits that may be claimed. For example, Investors 1 and 2 may agree to allocate their tax credits (\$44,000) to Investor 3, reducing Investor 3’s investment risk to \$34,000 (\$100,000 less \$66,000 in tax credits), in exchange for Investor 3 giving up some of its upside in the film project to Investors 1 and 2.

Allowing investors to reallocate tax credits does not increase the cost to the state but makes it easier to attract film investors which is critical to finance local film projects.

**Proposed Language:**

Distributions of the tax credit shall be made in accordance with subchapter J, K, or S, or any other relevant pass-through entity allocation provisions of the Internal Revenue Code of 1986, as amended, to which the State conforms, except that section 704(b)(2) shall not apply.

Me ke aloha,

Two handwritten signatures in black ink. The first signature is on the left and the second is on the right.

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



Randy Perreira  
President

# HAWAII STATE AFL-CIO

888 Mililani Street, Suite 501 • Honolulu, Hawaii 96813

Telephone: (808) 597-1441  
Fax: (808) 593-2149

The Thirty-Third Legislature  
House of Representatives  
Committee on Economic Development & Technology

Testimony by  
Hawaii State AFL-CIO

February 12, 2025

## TESTIMONY IN SUPPORT OF HB1498 – RELATING TO TAXATION

Chair Ilagan, Vice Chair Hussey, and members of the committee:

The Hawaii State AFL-CIO is a state federation of 76 affiliate labor organizations representing over 69,000 union members across Hawaii in industries including healthcare, construction, hospitality, entertainment, transportation, and government. The Hawaii State AFL-CIO serves its affiliates by advocating for the rights of working families, promoting fair wages, safe working conditions, and policies that strengthen Hawaii's workforce.

We support HB1498 because it strengthens Hawaii's film and digital media industry, creating stable, well-paying jobs. Expanding tax incentives encourages productions to hire locally and invest in workforce development.

Tax exemptions on payroll-related costs for motion picture project employers make it more feasible to maintain fair labor standards. These incentives attract more projects, sustain industry growth, and secure employment for skilled workers.

Hawaii is a premier filming location with unique cultural and natural landscapes, but other coastal and island destinations are aggressively competing for productions. Competitive tax credits ensure Hawaii remains a top choice for the industry and continues to benefit from the jobs and economic activity it generates.

We urge the committee to pass this bill, which would support local jobs and expand opportunities in the film and media industry.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Randy Perreira".

Randy Perreira  
President

February 12, 2025

House Committee on Economic Development & Technology  
Representative Greggor Illagan, Chair  
Representative Ikaika Hussey, Vice Chair



*Working together for Kapolei*

Wednesday February 12, 2025, 10:00 a.m.  
Conference Rm. 423 and via Videoconference

Dear Chair Ilagan, Vice Chair Hussey, and members of the committee:

**RE: HB 1498 Relating to Taxation (Film Industry Tax Credit)**

My name is Kiran Polk, and I am the Executive Director & CEO of the Kapolei Chamber of Commerce. The Kapolei Chamber of Commerce is an advocate for businesses in the Kapolei region including Waipahu, Kapolei, 'Ewa Beach, Nānakūli, Wai'anae and Mākaha. The Chamber works on behalf of its members and the business community to improve the regional and State economic climate and help West O'ahu businesses thrive. We are a member- driven, member-supported organization representing the interests of all types of business: small, medium or large, for profit or non-profit businesses or sole proprietorship.

The Kapolei Chamber is in **strong support of HB1498** which increases the motion picture, digital media, and film production income tax credit for qualified productions that utilize qualified production facilities located within the State and changes the cap amount and aggregate cap amount of the motion picture, digital media, and film production income tax credit to unspecified amounts. It also provides an exempts the entity from the general excise tax reimbursement to a motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits.

The Kapolei Chamber of Commerce has prioritized the effort to support the establishment of a film studio in West O'ahu.

**This measure will provide the needed incentives to grow a billion-dollar industry here in Hawai'i.**

Having more film production will not only bring revenue into O'ahu county, but it will also provide an opportunity for our students to stay here in Hawai'i making a living wage and provide an opportunity for Hawai'i residents to return home. There are opportunities to employ Hawai'i people across a range of sectors, from construction, catering, costuming, camera, post-production, and beyond. We also believe that West O'ahu provides the ideal location for a film studio, next to the University of Hawai'i – West O'ahu's Academy of Creative Media.

**More jobs, specifically living wage, professional jobs are needed on the west side to keep pace with the population growth in West O'ahu. Decades ago, the City and County of Honolulu adopted a goal of creating a "Second City" and moving residential and economic growth toward West O'ahu.** West O'ahu's growing population of almost 200,000 includes the Wai'anāe Coast, 'Ewa, and Waipahu. In Kapolei and 'Ewa alone households are expected to exceed 56,000 by the year 2035 and over the next 30 years the population in Kapolei and 'Ewa will increase by 40 percent and housing by 52 percent.

We believe incentives for job growth, especially in West O'ahu are warranted and needed. We also specifically support job growth in film production on the west side including the incentives so greatly needed to support the effort.

Thank you for your consideration of this measure.

Respectfully,

Kiran Polk  
Executive Director & CEO

**HB-1498**

Submitted on: 2/11/2025 10:20:48 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Krista Carella	Individual	Support	Written Testimony Only

Comments:

I fully support and encourage the tax incentives keeping film and tv alive and thriving in Hawaii.

**HB-1498**

Submitted on: 2/11/2025 12:58:27 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Richard Spelman	Individual	Support	Written Testimony Only

Comments:

Please support bill HB1498! This bill is vital to the very survival of the movie/TV industry in Hawaii!

**HB-1498**

Submitted on: 2/11/2025 2:16:09 PM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Tyler Fernandes	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee on Economic Development and Technology.

My name is Tyler Fernandes. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. I strongly support HB 1498, relating to taxation.

Hawai'i's film industry supports thousands of working families in the state of Hawai'i. These thriving wage jobs are irreplaceable by other industries. When the film tax incentive is empowered, this industry contributes significantly to state GDP, earnings, and even visitor spending. When the film tax incentive is restrained, we not only lose the economic benefits of the industry, but we also lose the ability to tell our own stories. 98% of the live action "Moana" movie was filmed in Atlanta. "Chief of War" filmed a significant portion of their production in Aotearoa, where the currency conversion rate has fluctuated over the past year from NZ\$1.65-NZ\$1.79 to the US \$1. Aotearoa's physical, administrative, and cultural infrastructures are decades ahead of ours. To remain competitive in the global market, it is imperative that Hawai'i strengthens and stabilizes the film tax incentive program.

As the latest DBEDT figures indicate, in 2024, our film and television industry generated \$324,150,100 in sales or economic activity, \$20,235,960 in estimate tax revenues, and \$74,948,000 in Hawai'i household income. The film/tv/streaming industry also accounted for 2,247 jobs in 2023.

I appreciate the legislature's continued support of our industry. Specifically for this measure, I support the inclusion of the MPA amendments to add "loan out companies" and the reclassification of motion picture and television production as "manufacturing" with regards to the General Excise Tax (GET)



I strongly support HB1498. I urge your committee to do the same. Thank you for the opportunity to testify.

In Solidarity,

Tyler Fernandes



# MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

HEARING BEFORE THE HOUSE COMMITTEE ON  
ECONOMIC DEVELOPMENT & TECHNOLOGY  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423  
Wednesday, February 12, 2025 AT 10:00 A.M.

To The Honorable Greggor Ilagan, Chair  
The Honorable Ikaika Hussey, Vice Chair  
Members of the Committee on Economic Development and Technology

## SUPPORTING HB1498 RELATING TO TAXATION

The Maui Chamber of Commerce **SUPPORTS HB1498** which increases the motion picture, digital media, and film production income tax credit for qualified productions that utilize qualified production facilities located within the State; changes the cap amount and aggregate cap amount of the motion picture, digital media, and film production income tax credit to unspecified amounts; and exempts from the general excise tax reimbursement to a motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits.

The Chamber notes that the Hawai'i film and television industry has continued to grow over the past twenty years, largely due to state tax incentives. These incentives have directly contributed to the increase in the number of feature films, television series, and commercial productions filmed in Hawai'i, which in turn has fostered the growth of a trained local crew base and supported service and equipment vendors. Additionally, the existing motion picture, digital media, and film production income tax credit—currently providing a refundable tax credit for Hawai'i-based film and television projects—has attracted blockbuster feature films and long-running television series to the state. This tax incentive is ideally suited for large, studio-funded projects that seek locations worldwide to meet both their artistic and financial requirements.

There have been many discussions over the years regarding the need to diversify our local economy. We believe the film and television industry is a key area that has already been successfully established in Hawai'i.

For these reasons, we **support HB1498** 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.

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, GENERAL EXCISE, Credit for Use of Qualified Production Facilities, GET on Payrolls

BILL NUMBER: HB 1498, SB 1629

INTRODUCED BY: HB by LAMOSAO, SB by FUKUNAGA

EXECUTIVE SUMMARY: Increases the motion picture, digital media, and film production income tax credit for qualified productions that utilize qualified production facilities located within the State. Changes the cap amount and aggregate cap amount of the motion picture, digital media, and film production income tax credit to unspecified amounts. Exempts from the general excise tax reimbursement to a motion picture project employer for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits.

SYNOPSIS:

## Income Tax Credit Enhancement for Using In-State Production Facilities

Amends section 235-17, HRS, to add an additional 5% of qualified production costs as a credit for utilization of qualified production facilities located within the State.

Defines "Production facility" as a building or complex of buildings and associated backlot facilities on real property situated within the State in which pre-production, production, and post-production activities occur, that contain: (1) At least one sound stage; (2) Pre-production, production, and post-production offices; (3) Catering or dining facilities; (4) Parking; (5) Facades; and (6) Mill space, and that is closed to the general public and is within a footprint of the site plan that forms a secure compound that is clearly delineated with a tall perimeter enclosure. The term excludes buildings and facilities that are not used for pre-production, production, and post-production activities, but are constructed or used in connection with the production facility, including hotel and lodging facilities, or portions thereof.

Also defines "'Qualified production facility" as a production facility engaged in the production of a qualified production; provided that the production facility: (1) Is located within the State; (2) Is constructed after December 31, 2024; (3) Is located on real property that: (A) Is a minimum of ten acres in size; and (B) Has been leased or purchased from the United States, the State, or any political subdivision thereof; and (4) Cost a minimum of \$100,000,000 to design and construct.

## General Excise Tax Relief for Production Payroll Service Companies

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 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. 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, 2026.

STAFF COMMENTS:

### Income Tax Credit Enhancement for Using In-State Production Facilities

The legislature by Act 107, SLH 1997, enacted an income tax credit of 4% for costs incurred as a result of producing a motion picture or television film in the state and 7.25% for transient accommodations rented in connection with such activity. The credit was adopted largely to address the impost of the state's general excise tax on goods and services used by film producers.

The legislature by Act 88, SLH 2006, increased the 4% credit to 15% in a county with a population over 700,000 and to 20% in a county with a population of 700,000 or less. Act 88 also repealed the income tax credit for transient accommodations and expanded the credit to include commercials and digital media productions, and limited the credit to \$8 million per qualified production. Act 89, SLH 2013, increased the motion picture, digital media, and film production tax credit from 15% to 20% for the costs incurred in a county with a population over 700,000 and from 20% to 25% for costs incurred in a county with a population of 700,000 or less. Act 89 also increased the total tax credits that may be claimed per qualified production from \$8 million to \$15 million. Act 143, SLH 2017, imposed a statewide cap on such credits of \$35 million; Act 275, SLH 2019, increased the statewide cap to \$50 million.

Previous bills considered by the legislature included many to hand out credits for building film infrastructure, be it a studio or a sound stage. We recommended that tax credits not be used for this, as it would be inefficient. This bill uses tax credits not to build a facility, but to encourage use of one that already has been built. This new approach avoids many of the pitfalls of the old approach.

### General Excise Tax Relief for Production Payroll Service Companies

As the preamble in section 3 of the bill recognizes, 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, issued last year, 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 we wrote on March 1, 2021: 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](#) | Match 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: 2/11/2025





## **‘ŌNAEHANA KULANUI O HAWAI‘I**

### **Legislative Testimony**

### **Hō‘ike Mana‘o I Mua O Ka ‘Aha‘ōlelo**

Testimony Presented Before the  
House Committee on Economic Development and Technology  
Wednesday, February 12, 2025 at 10:00 a.m.

by

Christopher Lee, Founder/Director, Academy for Creative Media, UH System  
on behalf of

Vassilis L. Syrmos, Vice President for Research and Innovation  
University of Hawai‘i System

### **HB 1498 – RELATING TO TAXATION**

Chair Ilagan, Vice Chair Hussey, and Members of the Committee:

The University of Hawai‘i supports the intent of HB 1498 to increase the motion picture, digital media, and film production income tax credit for qualified productions that utilize qualified production facilities located within the state; changes the cap amount and aggregate cap amount of the motion picture, digital media, and film production income tax credit to unspecified amounts; and exempts a motion picture project employer from the general excise tax reimbursement for employee wages, salaries, payroll taxes, insurance premiums, and employment benefits.

As Hollywood has moved more and more shows overseas where the incentives exceed our own and the currency exchange rates make us far less competitive than we were five years ago, it is important for the state to continue to support this vital industry.

Thank you for the opportunity to testify today.



**HB-1498**

Submitted on: 2/12/2025 12:04:28 AM

Testimony for ECD on 2/12/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Sonny Ortiz	Individual	Support	Written Testimony Only

Comments:

My name is [Sonny Ortiz ]. I'm a member of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **I strongly support HB 1498,** relating to taxation.