

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau  
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HONOLULU, HAWAII 96809  
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**GARY S. SUGANUMA**  
DIRECTOR

**KRISTEN M.R. SAKAMOTO**  
DEPUTY DIRECTOR

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

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 796, Relating to Tax Credits.

**BEFORE THE:**

House Committee on Economic Development & Technology

**DATE:** Friday, February 7, 2025

**TIME:** 10:15 a.m.

**LOCATION:** State Capitol, Room 423

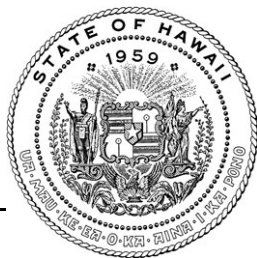
Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 796 for your consideration.

Section 2 of H.B. 796, amends section 235, Hawaii Revised Statutes (HRS), with a new section mandating that every income tax credit established or renewed after December 31, 2025 include either a 1) a five-year sunset date; or 2) beginning with the sixth year of the credit, an annual one-third reduction in the credit amount allowed to be claimed, over a three-year period. The bill is effective July 1, 2025.

DOTAX notes that because this bill will apply to future legislation, there is no immediate impact to DOTAX.

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



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

**JOSH GREEN, M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR

**JAMES KUNANE TOKIOKA**  
DIRECTOR

**DANE K. WICKER**  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
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Statement of  
**JAMES KUNANE TOKIOKA**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**  
Friday, February 7th, 2025  
10:15 AM  
State Capitol, Conference Room #423

In consideration of  
**HB796**  
**RELATING TO TAX CREDITS**

Chair Greggor Ilagan, Vice Chair Ikaika Hussey and members of the Committee.  
The Department of Business, Economic Development and Tourism (DBEDT) offers comments on SB796 that require income tax credits established or renewed after 12/31/2025 to include a five-year sunset or an annual one-third reduction, beginning with the sixth year of the credit.

DBEDT oversees HRS 235-17, the Motion Picture, Digital Media, and Film Production Income Tax Credit as well as HRS 235-100.91 the Hawai'i Refundable Research and Development Tax Credit. Both programs play 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.

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.

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.

While we recognize the intent of this measure, we caution that elimination or sunset dates moved up to five years from now, will adversely impact the growth and promise of this clean industry for Hawai'i. Should the incentive be eliminated, so too will the jobs, the livelihood of our talented crew and acting pool. This will force an exodus of skilled workers to those destinations which still have a competitive, reliable tax credit program.

In 2023, the film industry supported 9,168 total jobs, with 84.8% of those positions filled by Hawai'i residents, with a total spend of \$168 million in Hawai'i. Within this, 66.3% of department heads and key positions (250 jobs) were held by local hires. These figures underscore the program's impact on job creation, workforce development, and the broader economy. Similarly, the Research & Development (R&D) Tax Credit Program incentivizes innovation across multiple sectors, fostering growth in high-tech industries.

The department does appreciate the intent behind the measure, however the impacts to eliminating these credits will cause economic harm to the growth of these two industries which are pillars of DBEDT's strategy to diversify our economy.

We look forward to working with the Legislature to build our ecosystem in creative and innovation industries, not adversely impact their ability to thrive in Hawai'i, particularly the job creation these industries provide to our residents and small businesses.

Thank you for the opportunity to testify.

### **Tax Credit for Research Activities Program**

Key highlights from 2023 include:

- Approximately 75% of total qualified research expenditures were dedicated to wages, directly supporting high-skilled jobs in innovation-driven industries.
- Research activities spanned critical fields such as Astronomy, Biotechnology, Computer Software, Non-Fossil Fuel Energy Technologies, Ocean Sciences, and Sensor & Optic Technologies.
- Computer Software was the most common research area among applicants.

To: House Committee on Economic Development & Technology  
 Re: **HB 796 – Relating to Tax Credits**  
 Hawai'i State Capitol & Via Videoconference  
 February 7, 2025, 10:15 am

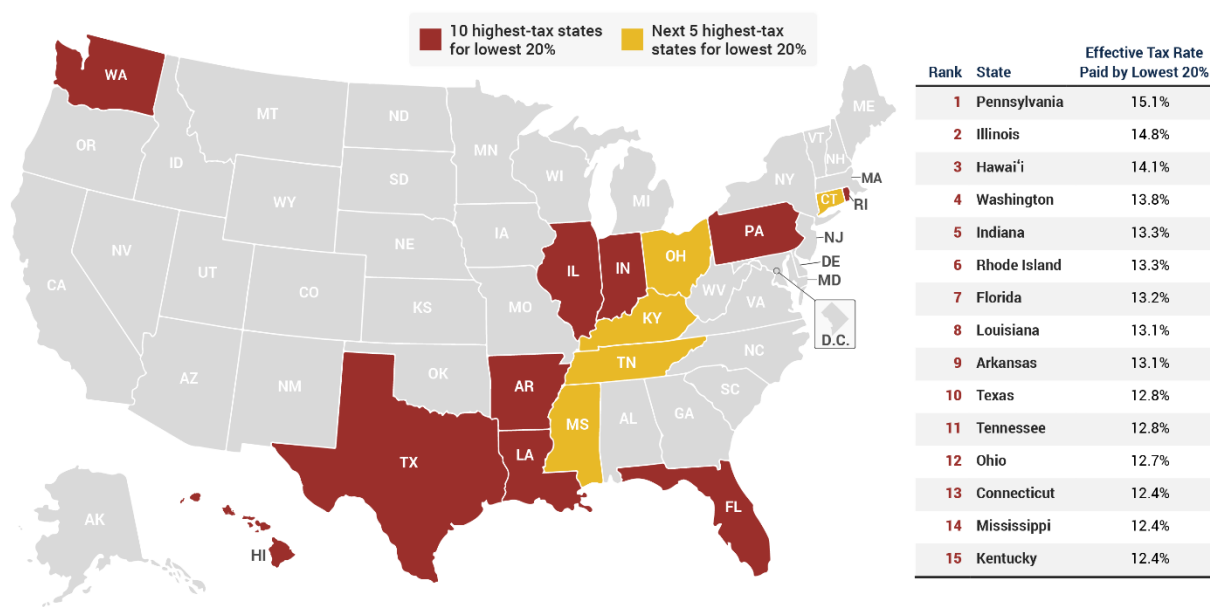
Dear Chair Ilagan, Vice Chair Hussey, and Committee Members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **OPPOSITION to HB 796**. This bill requires income tax credits established or renewed after 12/31/25 to have a 5-year sunset or automatic annual one-third reduction beginning with its sixth year.

Hawai'i's tax system currently is upside down. Our state saddles our **low-income families with the third-heaviest state and local tax burden in the nation**, as shown in the map below: <sup>1</sup>

FIGURE 11

## States with the Highest Taxes on Low-Income Households



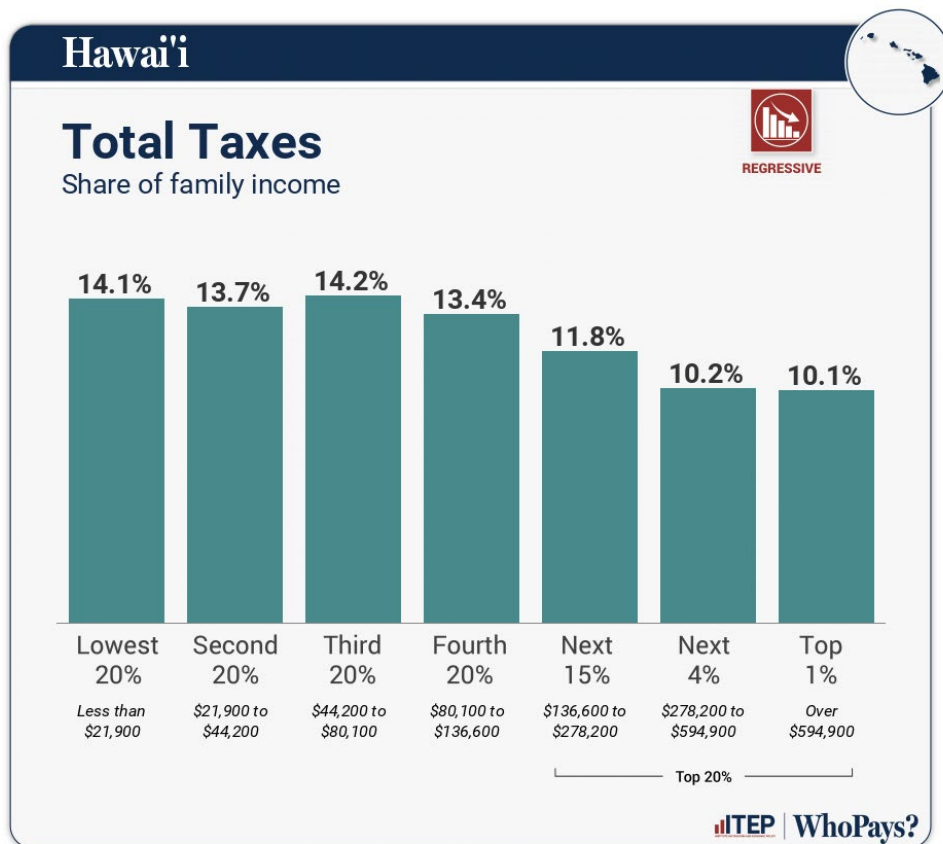
Source: Institute on Taxation and Economic Policy (ITEP)

 **Who Pays?**

And as you can see in the chart below, families who earn less than about \$22,000 per year pay 14.1% of their income in state and local taxes, while those who make over about \$595,000 pay only 10.1%.<sup>2</sup>

<sup>1</sup><https://itep.org/whopays-7th-edition/#low-taxes-or-just-regressive-taxes>

<sup>2</sup><https://itep.org/whopays/hawaii-who-pays-7th-edition/>



Tax credits help make our tax system more fair. Our state's income tax credits help people keep more of their hard-earned money.<sup>3</sup> These credits are targeted for lower to middle-income families, reducing hardship and helping keep parents on the job.<sup>4</sup>

The stresses of childhood poverty have both immediate and long-term effects on keiki's physical and mental health, behavioral self-control, academic achievement, and earnings as adults.<sup>5</sup> Anything that we can do to help children avoid poverty – including creating and improving targeted tax credits – will have long-term benefits for our state.

Unfortunately, this bill would do the opposite and threaten or weaken tax credits for working families. We respectfully request that you defer this bill.

Thank you,  
Nicole Woo  
Director of Research and Economic Policy

<sup>3</sup> <https://www.hitaxfairness.org/>

<sup>4</sup> <https://bipartisanpolicy.org/blog/supporting-working-families/>

<sup>5</sup> <https://www.apa.org/pi/ses/resources/publications/children-families>

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February 7, 2025

Committee on Economic Development and Technology  
Chair Ilagan  
Vice Chair Hussey

The House of Representatives  
The Thirtieth-Third Legislature  
Regular Session of 2025

RE: [HB796 - RELATING TO TAX CREDITS](#)

DATE: Friday, February 7, 2025

TIME: 10:15 am

PLACE: Conference Room 423

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 **OPPOSITION** of HB796- RELATING TO TAX CREDITS.

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.

We are grateful for the Legislature's continued support. The tax credit to qualified producers has been a beneficial incentive, creating thousands of jobs for local people to support their families and enrich our 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

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

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

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>.

This measure calls for the eventual sunset or significant reduction of all income tax credits established or renewed after 12/31/2025 . As written, this measure may have dire unintended consequences, not just for the film industry, but for a wide swath of the population of Hawaii, many of whom benefit in profound, life-altering ways from the tax credits this bill will kill.

Respectfully,

*Mericia Palma Elmore*

Mericia Palma Elmore, Executive Director SAG-AFTRA Hawaii 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)

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Mericia Palma Elmore, Executive Director  
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SCREEN ACTORS GUILD - AMERICAN  
FEDERATION OF  
TELEVISION AND RADIO ARTISTS  
[SAGAFTRA.org](http://SAGAFTRA.org)  
Associated Actors & Artistes of America / AFL-CIO



**HB-796**

Submitted on: 2/5/2025 11:16:19 AM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Jodie Yee	Individual	Oppose	Written Testimony Only

Comments:

I oppose this.

**HB-796**

Submitted on: 2/5/2025 1:43:07 PM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Sally “Kalei” Davis	Individual	Oppose	Written Testimony Only

Comments:

Aloha!

I am Sally "Kalei" Davis. I am a member of SAG/AFTRA working here in Hawaii in the Film Industry since the 1980s. as actor, stunt performer stand in and did casting on many films and tv shows. We have NO productions filming here now due to poor tax credit caps. Hawaii based films like Chief of War and Wrecking Crew starring Jason Momoa are being filmed in New Zealand! Moana was filmed in Atlanta, Georgia! This tax bill would basically end the film business here in Hawaii!! Please vote NO on this bill!

Mahalo,

Kalei



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN OPPOSITION OF HB 796: RELATING TO TAX CREDITS

TO: House Committee on Economic Development and Technology

FROM: Tina Andrade, President and CEO, Catholic Charities Hawaii

**Hearing: Friday, 2/7/25; 10:15 am; via Videoconference or Room 423**

Chair Hagan, Vice Chair Hussey, and Members, Committee on Economic Development and Technology:

Catholic Charities Hawaii **opposes** HB 796, which requires that income tax credits established or renewed after 12/31/2025 include a 5-year sunset or be reduced annually by one-third starting in the sixth year.

Catholic Charities Hawaii (CCH) is a tax-exempt, community-based organization that has been providing social services in Hawaii for over 75 years. CCH offers programs serving elders, children, families, homeless individuals, and immigrants. Our mission is to provide services and advocacy for the most vulnerable people in Hawaii. Each year, we serve over 40,000 people across the state. We have a long history of advocating for economic justice for the people of our state.

Catholic Charities Hawaii opposes this bill because it would create additional tax burdens on state residents. Between 2021 and 2022, 67,257 people left Hawaii, and thousands continue to leave each year, forced out by the high cost of living. The latest Aloha United Way report found that 27% of households statewide worried about being forced to move within a year. Among ALICE (Asset Limited, Income Constrained, Employed) residents, that number rises to 41%.

The Legislature has prioritized reducing the cost of living to help local families remain in Hawaii. Tax credits are most beneficial to lower-income, ALICE, and middle-income families who are struggling to continue living here. These are the very workers we want to support in staying in the local workforce. They often rely on these tax credits to pay off bills and receive relief for immediate needs.

We urge you to **defer** this bill.

If you have any questions, please contact our Legislative Liaison, Betty Lou Larson at (808) 527-4813.

TESTIMONY BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

RE: HB 796 - RELATING TO TAX CREDITS

FRIDAY, FEBRUARY 7TH, 2025

TUIA'ANA SCANLAN, CHAIR  
DEMOCRATIC PARTY OF HAWAI'I LABOR CAUCUS

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

The Democratic Party of Hawai'i Labor Caucus **strongly opposes HB 796**, relating to tax credits.

Tax equity is a cornerstone of economic prosperity. HB 796 would sunset all income tax credits across the board within 5 years or annually reduce them by one-third. This will have lasting negative effects on the working families of Hawai'i and, ultimately, Hawai'i's economy. Among the list of current income tax credits that are available on state tax returns are: Credit for Low income Household Renters, Renewable Energy Tech Credit, Credit for Child and Dependent Care Expenses, Capital Goods Excise Credit, Fuel Credit for Commercial Fishers, Motion Picture and Film Income Credit, Tax Credit for Research Activities, Renewable Fuels Production Tax Credit, and more.

If the state is to reach its renewable energy goals, diversify its economy, support local businesses, or show a shred of decency towards the working families of Hawai'i, HB 796 should not pass. This bill will disproportionately affect those families living paycheck to paycheck while barely scratching the wealthiest among us, who pay less than their fair share as it is. Taxes are more than just for collecting money. It is a social contract which assumes that, if we pay our fair share, we can fund initiatives that support the public good. This will drastically do the opposite.

The Democratic Party of Hawai'i Labor Caucus strongly opposes HB 796. We urge your committee to do the same. Thank you for the opportunity to testify.



# 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  
Testimony by IATSE 665  
February 7th, 2025

## **HB796 - RELATING TO TAX CREDITS**

Aloha Chair Ilagan, Vice Chair Hussey, and members of the House committee,

My name is Tuia'ana Scanlan, IATSE International Trustee and President of IATSE Local 665, the union representing technicians and artisans in the entertainment industry in Hawai'i. **IATSE 665 strongly opposes HB796**, relating to tax credits

Tax equity is a cornerstone of economic prosperity. HB 796 would sunset all income tax credits across the board within 5 years or annually reduce them by one-third. This will have lasting negative effects on the working families of Hawai'i and, ultimately, Hawai'i's economy. Among the list of current income tax credits that are available on state tax returns are: Credit for Low income Household Renters, Renewable Energy Tech Credit, Credit for Child and Dependent Care Expenses, Capital Goods Excise Credit, Fuel Credit for Commercial Fishers, Motion Picture and Film Income Credit, Tax Credit for Research Activities, Renewable Fuels Production Tax Credit, and more.

If the state is to reach its renewable energy goals, diversify its economy, support local businesses, or show a shred of decency towards the working families of Hawai'i, HB 796 should not pass. This bill will disproportionately affect those families living paycheck to paycheck while barely scratching the wealthiest among us, who pay less than their fair share as it is. Taxes are more than just for collecting money. It is a social contract which assumes that, if we pay our fair share, we can fund initiatives that support the public good. This will drastically do the opposite.

**IATSE 665 strongly opposes HB796. We urge your committee to do the same.** Thank you for the opportunity to testify.

In Solidarity,

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

**HB-796**

Submitted on: 2/6/2025 5:32:26 AM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Nicholas Gianforti	Individual	Oppose	Written Testimony Only

## Comments:

This measure calls for the eventual sunset or significant reduction of all income tax credits established or renewed after 12/31/2025 . As written, this measure may have dire unintended consequences, not just for the film industry, but for a wide swath of the population of Hawai'i, many of whom benefit in profound, life-altering ways from the tax credits this bill will kill.

**HB-796**

Submitted on: 2/6/2025 8:17:25 AM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Joshua Baldovi	SAG AFTRA HAWAII	Support	Written Testimony Only

Comments:

I would like to thank Legislature for supporting our members in Hawaii.

I oppose bill HB 796 relating to tax crediits

This measure calls for the eventual sunset or significant reduction of all income tax credits established or renewed after 12/31/2025 . As written, this measure may have dire unintended consequences, not just for the film industry, but for a wide swath of the population of Hawai'i, many of whom benefit in profound, life-altering ways from the tax credits this bill will kill.

Mahalo.

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: NET INCOME; Tax Credit Sunset Date or Annual Reduction

BILL NUMBER: HB 796

INTRODUCED BY: YAMASHITA

EXECUTIVE SUMMARY: Requires that income tax credits established or renewed after 12/31/2025 include a five-year sunset or an annual one-third reduction, beginning with the sixth year of the credit.

SYNOPSIS: Adds a new section to chapter 235, HRS, providing that any income tax credit established or renewed under this chapter after December 31, 2025, shall include either: (1) A five-year sunset date; or (2) Beginning with the sixth year of the credit, a one-third annual reduction in the credit amount allowed to be claimed, over a three-year period.

EFFECTIVE DATE: July 1, 2025.

STAFF COMMENTS: We have concerns over whether this bill, if enacted, would be effective. Normally a current legislature can't bind a future legislature, and later enacted legislation normally prevails over older legislation when the two conflict. Thus, if a future legislature were to pass a bill adding a new tax credit with neither a sunset nor a phaseout, and the bill were signed into law, the law would be effective with neither a sunset nor a phaseout.

We note that the State Auditor is required to review existing income tax credits under HRS sections 23-91 to 23-96 on a five-year rolling basis, and the reports issued by the Auditor are supposed to trigger legislative review. New credits are supposed to be added to the list in those sections of chapter 23, but none of these sections were amended after 2017.

Digested: 2/5/2025



**HB-796**

Submitted on: 2/6/2025 9:52:18 AM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Joyce McCarthy	Individual	Oppose	Written Testimony Only

Comments:

As a long time member of the film and TV making industry here at HOME in Hawaii, I oppose the sunseting of these tax credits. It is vital have them in place for our industry to begin to compete with other alluring states & countries. It is a tenuous time!

Mahalo



## HOUSE BILL 796, RELATING TO TAX CREDITS

FEBRUARY 7, 2025 · ECD HEARING

**POSITION:** Oppose.

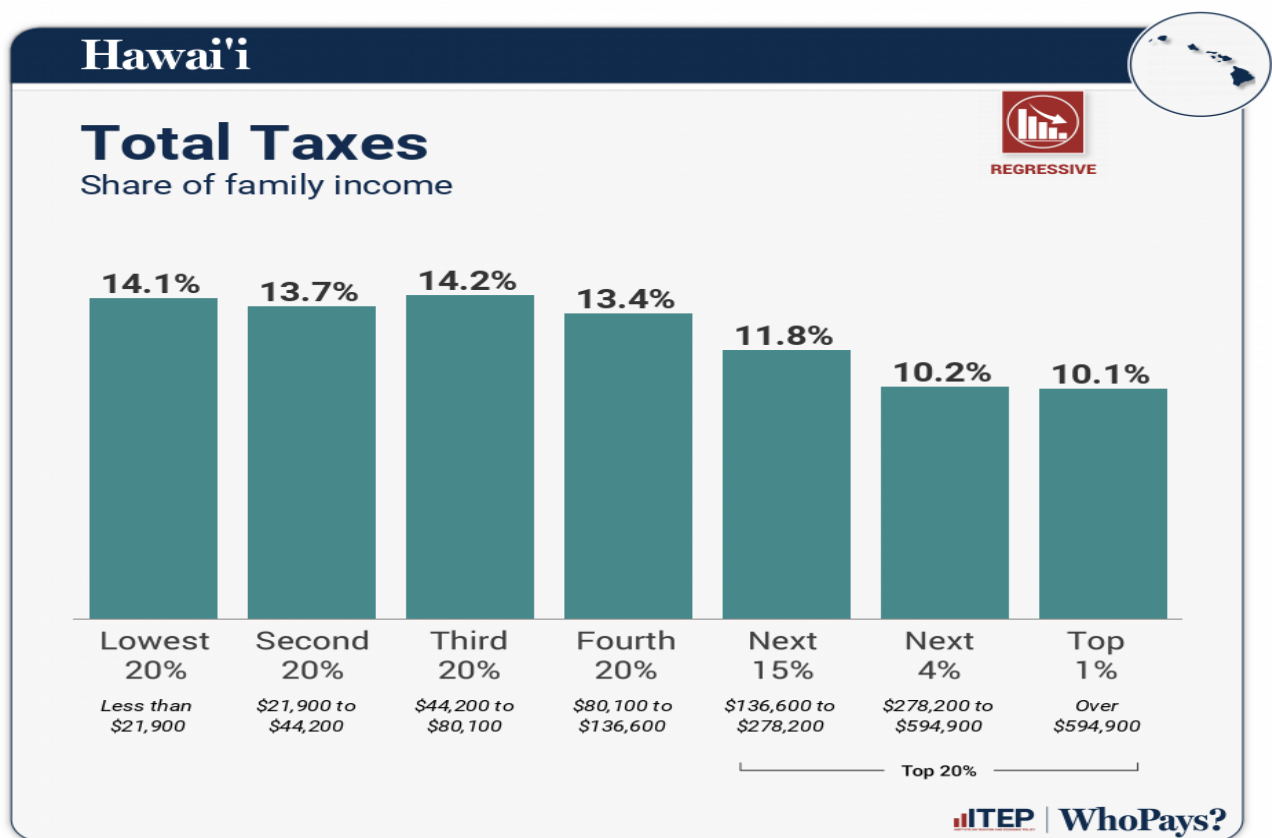
**RATIONALE:** The Democratic Party of Hawai'i Education Caucus opposes HB 796, relating to tax credits, which requires that income tax credits established or renewed after 12/31/2025 include a five-year sunset or an annual one-third reduction, beginning with the sixth year of the credit.

Working families need financial relief. Hawai'i residents face some of the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2024* report found that a full-time worker would need to earn \$44.60/hour—\$or \$92,768 per year—to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 well before the COVID-19 pandemic hit our shores.

One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, over 60 percent of households are severely cost-burdened, meaning that they pay more than 30 percent of their income on housing, a number that rises to over 80 percent of extremely low-income households.

A recent survey conducted by the Holomua Collective found that 60 percent of residents face worries about not being able to pay a monthly bill and 63 percent face difficulties in saving money from their paychecks for future emergencies, retirement, or other expenses. A staggering 70 percent of middle-class respondents to Holomua's survey say they will—or are unsure if they will have to—relocate in the coming years. As Holomua Collective states in its report on the findings, "These are the very workers powering Hawai'i's economy, now on the brink of leaving their homes behind." That population includes the teachers who are tasked with educating our keiki.

According to the Institute for Taxation and Economic Policy's "Hawai'i: Who Pays?" 7th Edition, the lowest 20 percent of income earners pay 14.1 percent of their income in taxes, while the highest 1 percent of income earners pay just 10.1 percent. Rather than passing measures that undo or reduce the benefits of tax credits for working families, we should strengthen our state's efforts to provide financial relief to those who need it most.



Contact: [educationcaucusdph@gmail.com](mailto:educationcaucusdph@gmail.com)

**HB-796**

Submitted on: 2/7/2025 7:10:13 AM

Testimony for ECD on 2/7/2025 10:15:00 AM

Submitted By	Organization	Testifier Position	Testify
John Bickel	Individual	Oppose	Written Testimony Only

Comments:

I oppose this bill as it would sunset critical tax credits. I say critical as they are necessary to put some balance in our regressive tax system. The EITC for example is lauded in numerous studies as helping low income families stay out of poverty. Don't risk making our regressive system even worse. Vote this bill down.