

News

S.2, Hawaii—Multiple Taxes: Guidance Provided for Film Company Payments to Payroll Service Providers

October 17, 2024

The Hawaii Department of Taxation has released guidance on the imposition and calculation of Hawaii general excise tax (GET) on payments made by film production companies to payroll service providers. The guidance also addresses whether payments made by film production companies to payroll service providers are eligible to be claimed as qualified production costs for the motion picture, digital media, and film production income tax credit.

GET

A payroll service company is subject to GET on all amounts received from a film production company, including wages, salaries, and employment benefits, unless there is a statutory exemption for such amounts. Hawaii provides a GET exemption for certain amounts received by a professional employer organization (PEO). A film production payroll service provider may qualify for the PEO exemption for amounts disbursed to a film production company's employees if the provider (1) meets the statutory definition of a PEO, (2) is registered with the Department of Labor and Industrial Relations as a PEO, and (3) has a written contract with the film production company that provides for covered employees, describes the duties and responsibilities of the client company and the PEO with respect to covered employees, and includes a declaration of the PEO's responsibilities. A payroll service provider that is ineligible for the exemption may agree contractually with a production company for the production company to pay any GET that the payroll service provider owes to the state on a transaction between the payroll service provider and the production company.

Income Tax Credit

Payments made by a film production company to a payroll service provider or PEO that are entirely subject to GET are qualified production costs for purposes of the motion picture, digital media, and film production income tax credit. Furthermore, amounts disbursed to employees through a payroll service provider or PEO claiming a GET exemption may be claimed as qualified production costs if the payments to employees are subject to Hawaii income tax.

Tax Information Release No. 2024-04, Hawaii Department of Taxation, October 10, 2024, [1201-196](#)