

Honolulu, Hawaii

Feb. 13

, 2006

RE: S.B. No. 2570
S.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Media, Arts, Science, and Technology, to which was referred S.B. No. 2570 entitled:

"A BILL FOR AN ACT RELATING TO DIGITAL MEDIA,"

begs leave to report as follows:

The purpose of this measure is to amend the motion picture and film production income tax credit under section 235-17, Hawaii Revised Statutes, by:

- (1) Increasing the motion picture and film production refundable tax credit to fifteen per cent on Oahu and twenty per cent on the neighbor islands; and
- (2) Revising the definitions and the eligibility criteria and parameters for qualifying for the tax credit.

Your Committee received testimony support of this measure from the Department of Business, Economic Development, and Tourism; the Department of Taxation; the Honolulu Film Office; the Big Island Film Office; the Maui Film Office; the Screen Actors Guild; the International Alliance of Theatrical Stage Employees, Mixed Local 665; the American Federation of Musicians, Local 667; the Hawaii Film & Entertainment Board; Ko Olina Resort & Marina; Pae 'Āina Communications, LLC; The Estate of James Campbell; the Hawaii Film Authority, Inc.; and several producers and private individuals. The Tax Foundation of Hawaii submitted comments on the measure.



Currently, section 235-17, Hawaii Revised Statutes, provides a refundable tax credit of up to four per cent of the costs of production of motion picture or television films, which is a rather modest tax credit. Hawaii has lost film production projects to other jurisdictions with better and more effective film production incentives. Your Committee finds that increasing the motion picture and television production tax credit rate will stimulate film production activity in the State, create jobs and training opportunities, and support local film and digital media production companies.

Your Committee has amended this measure by:

- (1) Allowing a production seeking to qualify for the tax credit to provide the State a shared-card, end title screen credit, where applicable; and
- (2) Providing an effective date of July 1, 2006 for section 2 to prevent a taxpayer from simultaneously claiming a high technology business investment tax credit under section 235-110.9, Hawaii Revised Statutes, and a motion picture and film production tax credit.

As affirmed by the record of votes of the members of your Committee on Media, Arts, Science, and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2570, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2570, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Media, Arts,
Science, and Technology,


CAROL FUKUNAGA, Chair



