

STAND. COM. REP. NO.

2426

Honolulu, Hawaii

FEB 17

RE: S.B. No. 2742
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. 2742 entitled:

"A BILL FOR AN ACT RELATING TO INCOME TAXATION,"

begs leave to report as follows:

The purpose of this measure is to exclude from gross income, adjusted gross income, and taxable income the amounts received by performers, promoters, or broadcasters for live performances.

Your Committee received testimony in support of this measure from two private attorneys and a local musician. The Department of Taxation submitted comments.

Hawaii has a rich cultural heritage, and music has always been an integral part of that heritage. The State's music community adds immeasurably to the State's quality of life. A tax incentive for live performances will encourage more musical performances and further enrich the State's cultural heritage.

An income tax exemption for the amounts earned by performers, promoters, and broadcasters for live performances conducted in the State will help the State's economy, protect and promote the State's rich cultural legacy, and help the State's performing arts community. Music is one of the factors that make Hawaii special and attracts tourists to visit Hawaii. A tax incentive will not only promote the tourism industry, but will encourage national and international performers, promoters, and broadcasters to come to Hawaii to create and stage live musical and other performances.

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As a result, more live performances will attract more tourists and help the State's economy.

A tax incentive will also help the State's performing arts community. Despite a robust state economy, many of Hawaii's talented musicians are struggling to make ends meet. Musicians who work as independent contractors do not have medical insurance or other job benefits. Performance fees are small and have decreased over time. A tax incentive will provide financial assistance to this small but significant sector of the State's local economy.

Your Committee finds that amending section 235-7, Hawaii Revised Statutes, to allow for an income tax exemption for live performances conducted in the State will stimulate the economy, promote local cultural heritage, and provide performers with financial assistance.

Your Committee is aware that many local musicians in Hawaii struggle economically and that they receive little in return for their performances. A local performer submitted testimony to your Committee emphasizing that last year he gave sixty free performances for schools, non-profits organizations, environmental causes, and small businesses, but was not able to financially benefit from his community contributions.

The Department of Taxation raised a question in its submitted testimony with regards to the meaning of a "live performance." In light of this, your Committee has amended this measure to delete the definition of a "live performance" and specify that the performance must be a "live musical performance." Your Committee appreciates the efforts made by two private attorneys who cooperated in assisting your Committee amend this measure.

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. 2742, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2742, 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



