

STAND. COM. REP. NO. 1928

Honolulu, Hawaii

April 5, 2007

RE: S.B. No. 1920
S.D. 2
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 1920, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this bill is to improve and enhance various provisions relating to the performing arts and motion picture, digital media, and film production by:

- (1) Recodifying the existing income tax exclusions for performing arts royalties into a new part of Chapter 235, Hawaii Revised Statutes (HRS);
- (2) Clarifying that the written statement required of taxpayers claiming the Motion Picture, Digital Media, and Film Production Tax Credit (Production Tax Credit):
 - (A) Identify the number of total hires versus the number of qualified local hires by category and by county;
 - (B) Identify evidence of educational or workforce development efforts; and
 - (C) Be used by the Department of Business, Economic Development, and Tourism (DBEDT) to prepare a

SB1920 HD2 HSCR FIN HMS 2007-3703



public report, published biannually, presenting information identifying Production Tax Credit recipients and the aggregate total value of credits received;

and

- (3) Repealing the Hawaii Television and Film Development Board, and making DBEDT responsible for the Board's duties.

IATSE Local 665 supported this bill. DBEDT, Department of Taxation, Hawaii Science & Technology Council, Cardax Pharmaceuticals, Inc., Ocean Network LLC, and several concerned individuals opposed this bill.

Your Committee has amended this bill by deleting its contents and inserting the substance of Senate Bill No. 1920, S.D. 2, with additional amendments. As amended, this bill differs from the bill as referred to your Committee by:

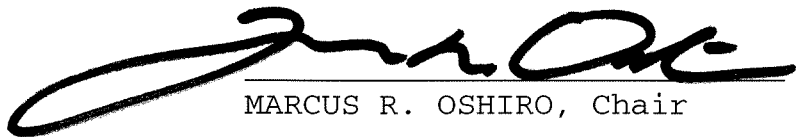
- (1) Renaming the new part under Chapter 235, HRS, established in this bill as "Motion Picture, Digital Media, and Film Production";
- (2) Establishing the Performance Arts Investment Tax Credit (Investment Tax Credit) and the Tax Credit for Performing Arts Research Activities under the new part;
- (3) Recodifying the Production Tax Credit into the new part, with the amount of the Production Tax Credit unchanged and the limit on Production Tax Credits per qualified production changed to an unspecified amount;
- (4) Prohibiting qualified production costs financed by public funds from the State from being eligible for the Production Tax Credit;
- (5) Prohibiting taxpayers that claim the High Technology Business Investment Tax Credit or the Investment Tax Credit from being eligible for the Production Tax Credit;
- (6) Increasing the recapture amounts under the Investment Tax Credit to 100 percent of the Investment Tax Credits claimed in the preceding five taxable years;



- (7) Changing its effective date to July 1, 2020, to encourage further discussion; and
- (8) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1920, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1920, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



MARCUS R. OSHIRO, Chair



